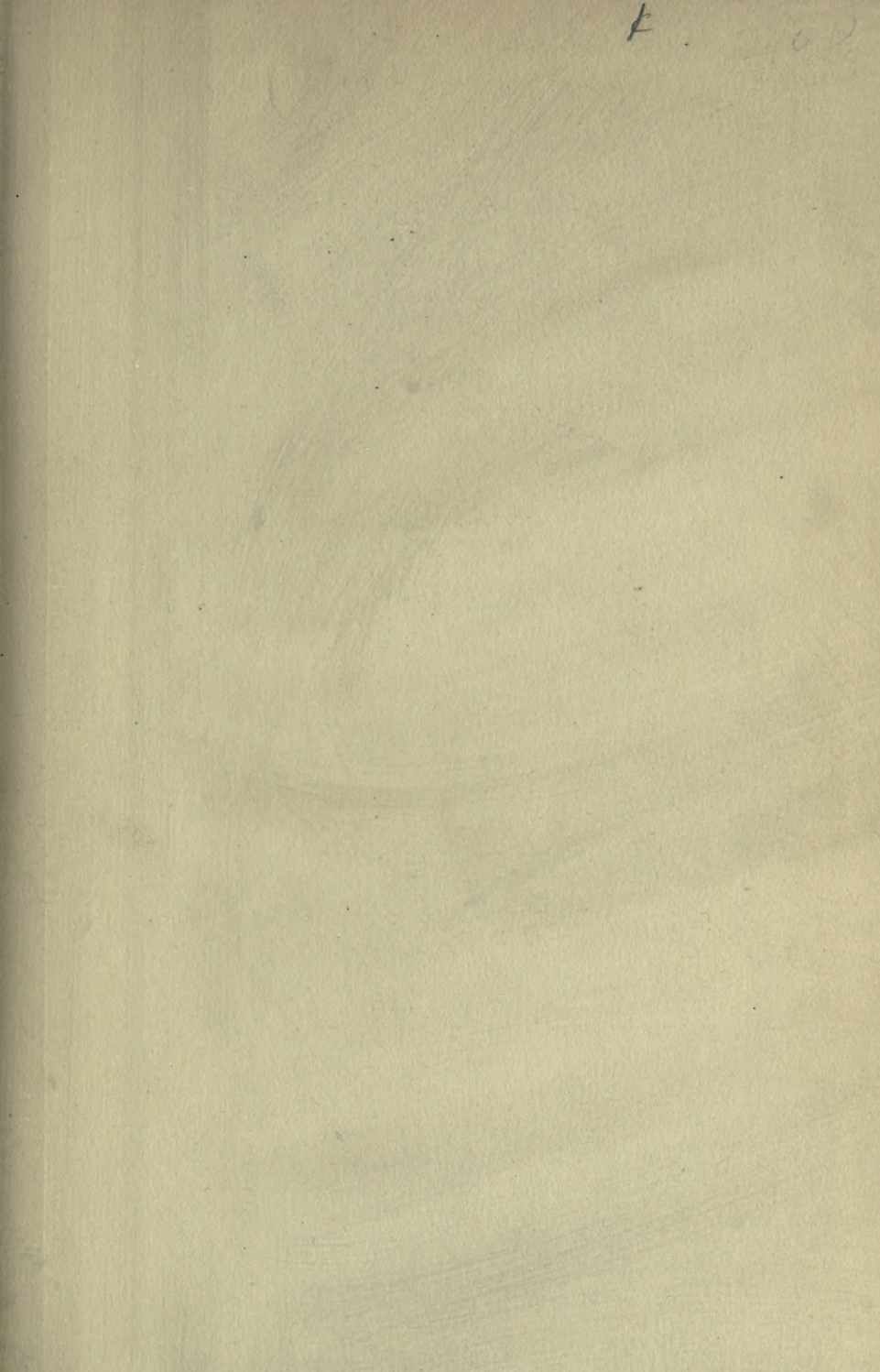



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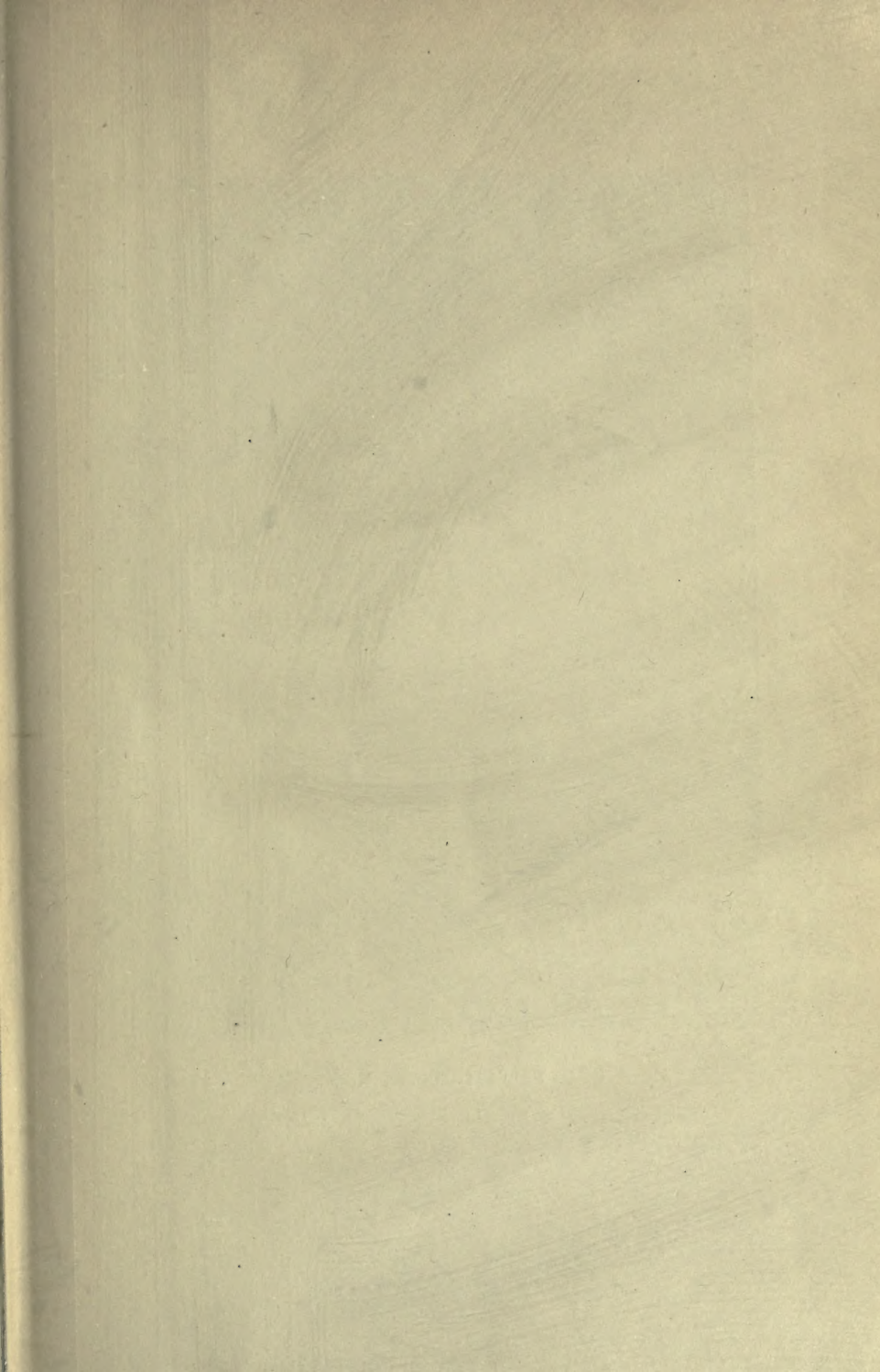




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**THE TRADE
OF THE WORLD**

THE TALK
OF THE WEEK





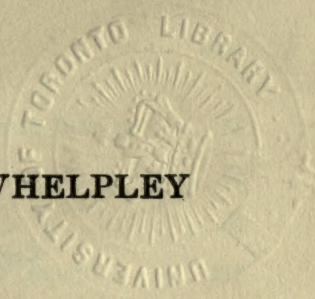
Photograph by Brown Bros.

The Stock Exchange, New York.

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THE TRADE OF THE WORLD

BY
JAMES DAVENPORT WHELPLEY



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1913

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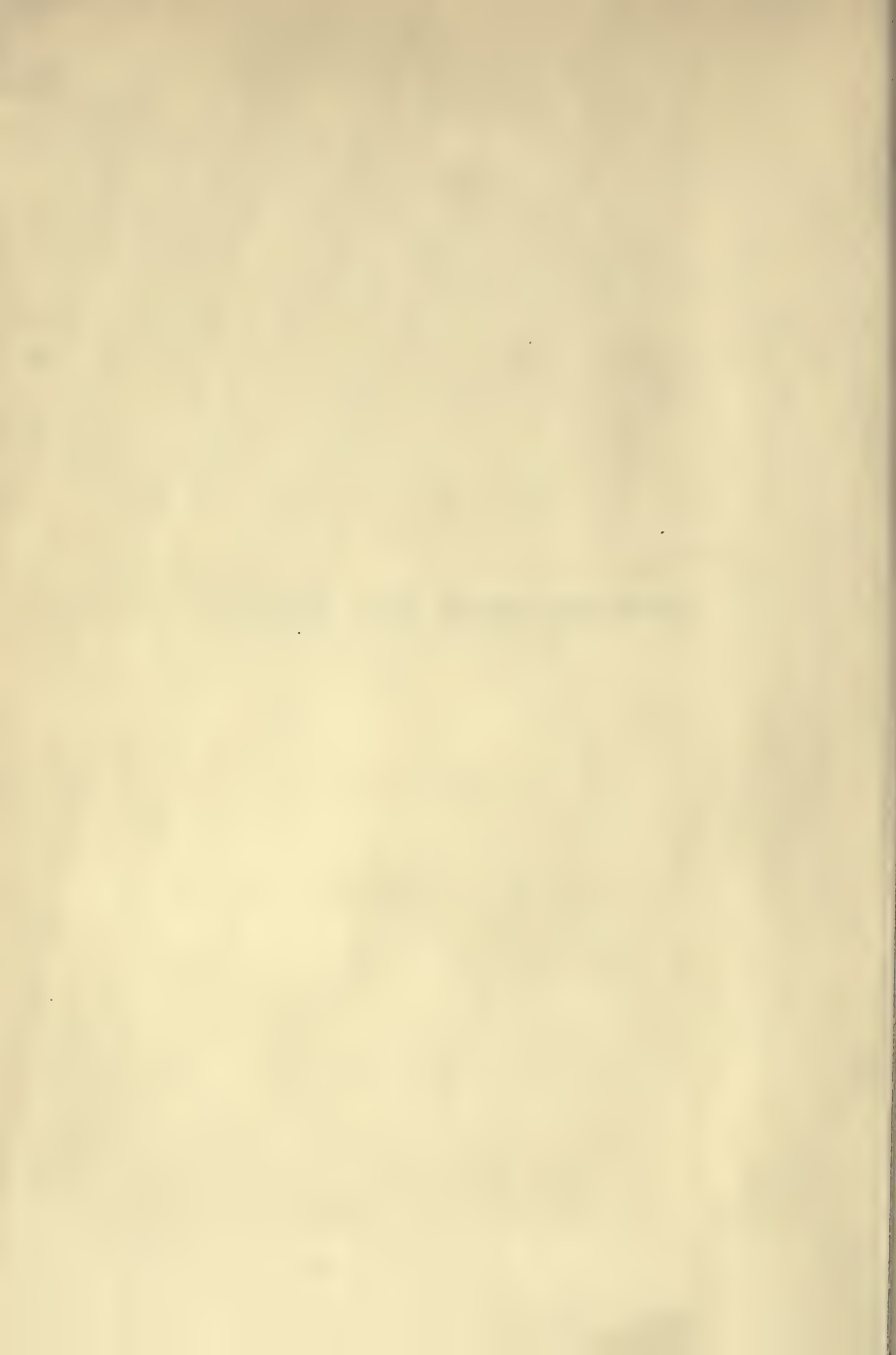
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PREFACE

The Trade of the World, including as it does practically all the activities of the human race, is of a scope so tremendous in its broader meaning that to choose this title for a book seems almost presumptuous. In this volume no pretense is made of discussing the subject fully or finally; nor is it possible to particularise concerning more than a few of the most important or typical countries whose tradings go to make up the enormous total. If, however, the reader may obtain a better appreciation of the common sense, wisdom, knowledge and courage required, not only of the individual but of nations, in seeking successfully a fair share of international commerce, the purpose of the work will have been achieved. That we must know a land and its people before we can strengthen mutual bonds of trade and friendship, is fundamental, yet it is an axiom, the truth of which is often forgotten, ignored, or perhaps even never realized. Successful international trading rests on bigger things than mere exchanges of commodities; these in their fullest development follow mutual knowledge and understanding.

JAMES DAVENPORT WHELPLEY.

New York, May, 1913.



THE TRADE OF THE WORLD

I

TRADE STRATEGY

A THIRTY-FOUR-BILLION-DOLLAR STAKE IN COMMERCIAL DIPLOMACY.

IT is told of a distinguished Japanese statesman, now dead, that in the course of an after-dinner speech, when patriotism and eloquence had been stimulated to the *n*th power by the good things of the table, his peroration, delivered with dramatic emphasis, was about as follows: "The future Emperor of Japan will live at Mukden, Manchuria, and Tokio will be the subsidiary capital of Japan. The destiny of our country is to become a continental power."

The political and commercial strategy of England has postponed this possible extension of actual Japanese territory, through the workings of the Anglo-Japanese alliance, and that is where the shoe pinches in the present relations between the two nations. The trade strategy of Japan, however, is

gradually making it quite possible that the prophecy of the after-dinner speaker may be in time fulfilled, for it is resulting in a quiet though rapid assimilation of Manchurian interests, which, if subjected to the test, would develop an astounding hold already secured upon the Asiatic mainland by these astute and ambitious island people. In this case, the strategy of trade is potent with great possibilities of political changes in the Far East, if the political and industrial leaders of Japan can continue their campaign of peaceful assimilation with the same success as has marked the advance of the past five years.

This is the "big game," the play that holds the attention of the world, and in which the ablest statesman find themselves pushed to their utmost to hold their own. It is the plan and finally the big result that excites the imagination as to the possible outcome, and to admiration for the skilful strategist; but after all, when the plan has been laid, no matter how brilliant, it is the detail of the execution that brings about the big results which dazzle the mind. The modest but resourceful and courageous Japanese peddler, disguised as a Chinaman, speaking the tongue fluently, traveling from town to town and even from house to house, is the humble but effective agent of this commercial assimilation. He is the private soldier who is defeating the enemy in detail, that the big result may come about. And so it is everywhere in foreign



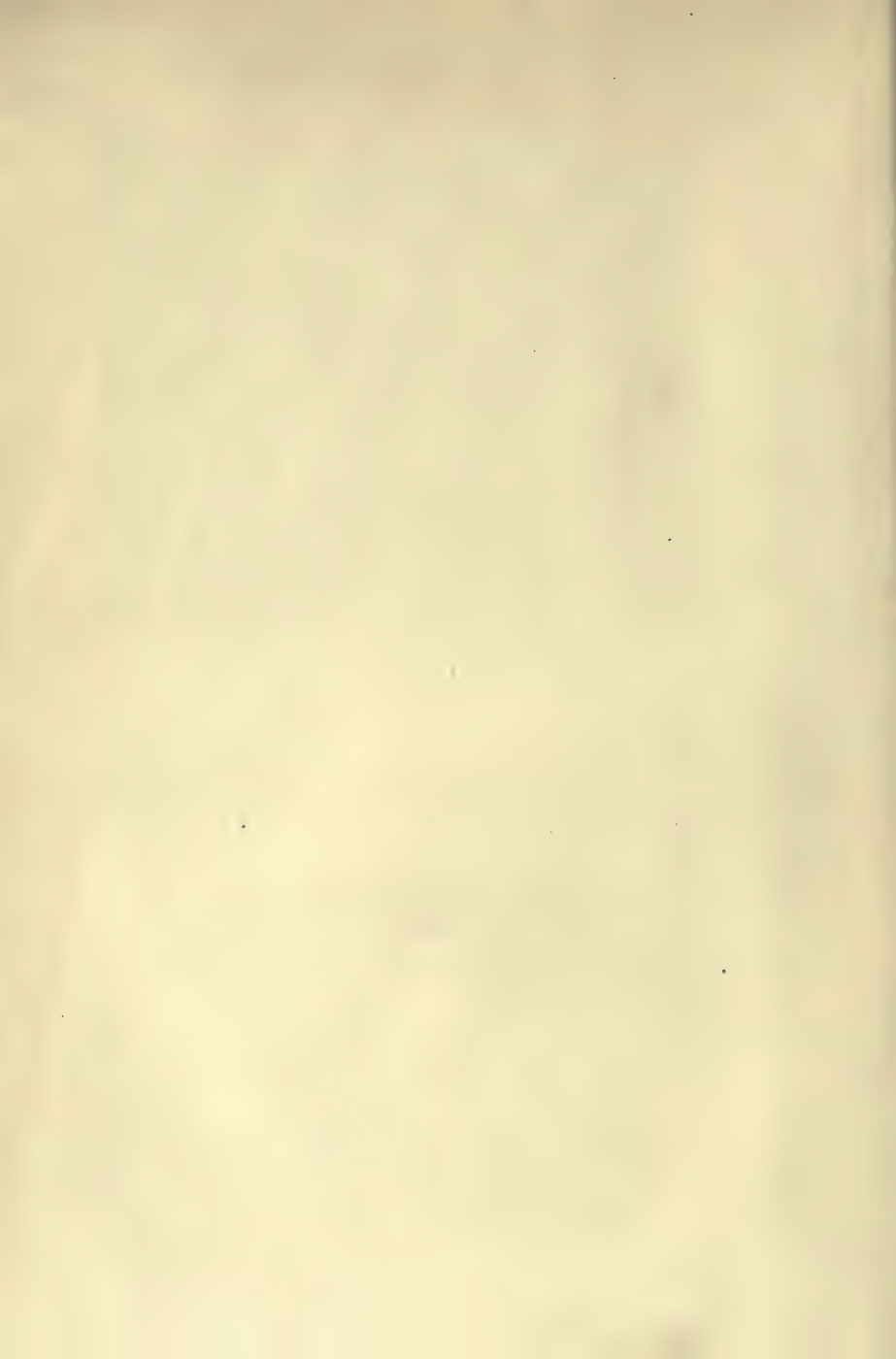
Photograph by Brown Bros.

London Royal Exchange.



Photograph by Brown Bros.

The Bourse, Berlin.



trade. Governments may initiate policies, treaties may secure certain rights, the great money powers may buy or build railways, subsidized steamers may visit every port, and even great wars may be fought and yet count for nothing in furthering the purpose of all these things, unless the traders of the aggressor nation back up these larger events with the quiet but effective power of the individual bargain offered by men who know how to undersell their competitors.

Some years ago, while idling away a day in a small Central American town, I drifted in for a chat with the principal—in fact, the only—general merchant in the place. As I entered the building, a long, low, shed-like structure, common to that country of heavy rains and possible earthquakes, I found myself in the midst of a bevy of dusky maidens, apparently very busy wrapping up parcels. Such a scene as this was rather a surprise in this country of *mañana*. As soon as my eyes were accustomed to the light of the room, dim in contrast to the brilliant tropical sunshine out of doors, I saw that these girls were surrounded by a pile of boxes containing candles, each candle wrapped in yellow paper. The workers were taking these candles from the boxes, stripping them of the yellow paper, and skilfully rewrapping them in a sheet of blue paper. Naturally I asked the proprietor the reason for this apparent waste of time and money. He said quite despondently: “For years I have

had a big trade in candles. They have always come to me done up in blue paper. The last shipment arrived with yellow coverings, and although they were the same goods my customers would have none of them. I got some blue paper, rewrapped the candles, and they are going like hot cakes. I wrote to the firm that they must send candles wrapped in blue paper. They replied very much to the effect that I was a fool, because the candles were the same as before, and that for reasons of their own they had decided to change the color of the wrappers, and yellow it would continue to be."

Quite recently an English manager of an English railway in Argentina persuaded his English board of directors to buy some American locomotives. The American manufacturing company was told that to burn successfully the fuel used on that particular railroad, the fire-boxes of the locomotives must be constructed in a certain way and be made of a certain material. There was great rejoicing in the American locomotive trade over this order. The engines were shipped to Buenos Aires, and there it was found that no attention had been paid to the changes suggested for the fire-boxes. They were not a success. The English manager abandoned his attempt to use American machines, and his English board of directors rejoiced at his discomfiture. Great harm was done to an important and profitable branch of American export trade.

Many instances of this kind could be cited, and

many more where American goods and American ingenuity have triumphed under extraordinary difficulties. They are simply illustrations of the necessity of successful strategy in trade. The general who plans an admirable campaign, but fails to arrange for supplies for his men, or sufficient ammunition for his guns, is just as much a failure as the general who makes strategic errors in moving his troops. Some of these things may not appear important in themselves, but if neglected the results are often far-reaching and disastrous; and it may take years of effort and great expenditure to overcome a prejudice which arose originally from an apparently trivial neglect. In the foreign markets, as a rule, all competitors meet on equal terms. They are all in a foreign country; no paternal government eye is watching over them; no local pride works to their advantage. It is a fair fight with no odds; and the victory comes to the best equipped and the most adroit strategists.

The foreign trade of the world in 1912 amounted to more than \$35,000,000,000. This is the great stake for which the international traders are playing the game this year. Another year it will be even larger, for the population of the world is increasing, and, what is more, the needs of the people are expanding in greater ratio, thus rapidly enlarging the market for everything that is consumed or used by the human race. These international exchanges amounted to only \$20,000,000,000 in 1900,

and to \$17,500,000,000 in 1890. In other words, in less than a quarter of a century international commerce has doubled. To the American foreign commerce means export from the United States, and imports into all other countries. The total imports of all the seventy principal countries is nearly \$18,000,000,000. Deducting from this the imports into the United States, it leaves \$16,000,000,000 of trade in which the American producer may take an intelligent and possibly a profitable interest.

Of the \$16,000,000,000 of imports into foreign countries, the United States now furnishes about \$2,000,000,000, or one eighth of the total. England furnishes about one seventh of the imports into countries other than England, and Germany furnishes nearly one eighth, or substantially the same proportion as the United States. These three nations are by far the greatest providers for the human race in virtually every line of human endeavor. There is an interesting difference, however, between the foreign trade of the United States and Germany, and that of England. In the two first-named countries, the exports are largely of home production, and this is the case even more in America than in Germany. In the case of England, a very large amount of her foreign trade is that of distributing agent for the producers of other countries. England is a broker, but to just what an extent it never has been possible to determine accurately. Mr. Joseph Chamberlain said to the

writer several years ago that if this could only be determined it would settle the question at once and forever as to the advantage or disadvantage of a protective policy for the United Kingdom.

Nearly forty per cent. of the total international trade of the world is carried on by England, Germany, and the United States. England transacts about one sixth, Germany one eighth, and the United States one tenth of all the exchanges between the seventy or more countries that are of sufficient importance to enter into this calculation. According to population, England has a foreign trade per capita of \$125, Germany, \$67, and the United States, \$41. Within these facts lie many of the reasons why it has been so difficult in the past to arouse the American people to the importance of trade relations abroad, and a knowledge of the peoples and conditions of other lands. It is largely guesswork to attempt an estimate of business conducted each year within the United States, but it may be said for purposes of comparison that while the per capita of foreign trade is as stated, about \$41, domestic business probably reaches the amazing figure of between \$600 and \$700 for each man, woman, and child in the United States. In England the foreign exchanges are more equal to domestic business, and foreign trade becomes a matter of vital personal interest to every one, bearing as it does such a direct relation to individual comfort or prosperity.

That the extent of intelligent public interest in America in matters concerning foreign relations is even yet far from satisfactory, is undeniable, and the general conception of the relative importance of the Cabinet portfolios is well illustrated by an incident which occurred shortly after the national election of 1912. A group of unusually well-informed men were discussing Cabinet possibilities, and the name of a prominent politician was mentioned as a possible Secretary of State. A business man of New York, who it was well known was no admirer of the man in question, immediately said: "Well, he can do less harm there than in any other place." What is more surprising, this sentiment was echoed by most of those present. Such a point of view is not understood in Europe, for there the Secretary of State for Foreign Affairs, whose duties are those of the American Secretary of State, is the most important official in the Cabinet, and governments stand or fall, wars are made or unmade, and a country gains or loses in the ratio in which his administration is a success or a failure. In these days, diplomacy has come to mean the strategy of trade, in its highest and most comprehensive meaning, and not the strategy of war. The successful diplomat is now necessarily a practical economist as well. Spheres of influence mean spheres of trade and finance. A recent example of the practical activities of the foreign offices of the great Powers is the intervention of these Powers

in the settlement of affairs between the allied Balkan States and Turkey. In the end the Powers will define the fruits of victory, because of the fact that the Ottoman Loan is held in Europe. Hence, alienated Turkish territory must carry with it part of the responsibility for this loan, and indemnity is opposed because Europe would have to furnish Turkey with the money to pay it. Constantinople and the Dardanelles must remain Turkish, or, in other words, neutral, for the shipping and trade interests of many nations are involved.

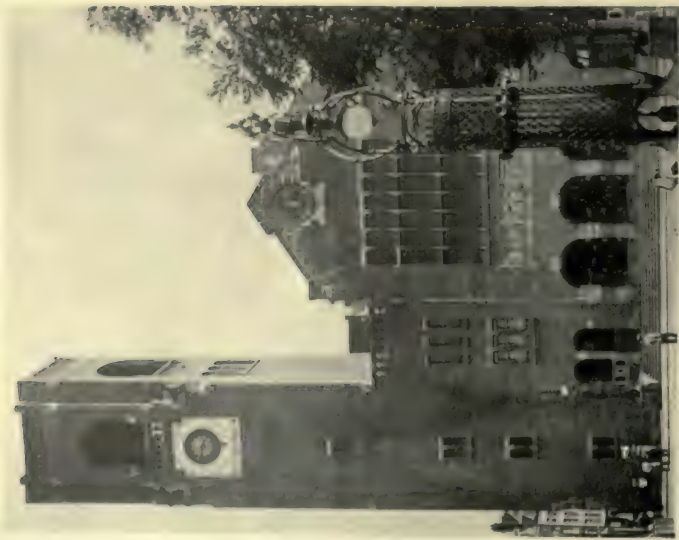
These matters in earlier days came under the domain of so-called "haute politique." To-day the motive power is furnished by finance and trade. The international bankers laid a plan before Theodore Roosevelt, when he was President of the United States, whereby they asserted that all danger of great wars could be averted. The plan was nothing more or less than to make it illegal to deal in the securities of any country when the money derived from the sale of such securities was to be used in the prosecution of war. Without any such declaration of policy being made public, this idea by tacit agreement has become a powerful factor in the politics of the world.

The strategy of trade in the larger sense covers the action of congresses and parliaments, the policies of foreign offices, the skill of diplomats, the fortunes of war, and a knowledge of geography, politics, and humanity, which virtually makes up

the sum of human knowledge. In the narrower sense—which, however, is successful, as a rule, only when backed up with a larger viewpoint—it means the skill and adroitness of the individual trader, his courage, his common sense, his ultimate honesty, and his adaptability.

Strategy manifests itself in many ways. The bargaining of the Oriental is its subtlest form; the sale over the counter to the man who must have is its simplest. The man who sits down at his dinner-table, in the modest home of the average citizen of a civilized country, has spread before him an object-lesson in the value, power, and importance of skilful trading. The products of land and sea, from ice-bound zones to the tropics, lie before him. To secure any one of these articles which he regards so casually, for him alone, would cost the maintenance of the city he lives in. For some of them wars have been fought, revolutions have been planned and carried out, navies have been built, and weeks have been spent by master minds in diplomatic fencing for advantage.

Contained within the history of trading, lie all the romance and adventure of the sea and the frontier, the horrors of war, the privations and sufferings of exploration, the rise or fall of nations; in brief, the story of civilization and of barbarism. The origin of the customs duty or the tariff, as it is called, is found on the shores of Spain, where lived the old bucaners who sent their boats out into the



Photograph by Brown Bros.

The Bourse, Amsterdam.



Photograph by Brown Bros.

The Bourse, Rotterdam.

Straits of Gibraltar to exact toll from passing ships. Some of our economic purists believe that the palatial Custom-house of New York City is founded and maintained in as much immorality and iniquity as was the establishment of the pirates of Tarifa who exacted their toll at Gibraltar by force of arms instead of by law. Others have become so wedded to this method of producing revenue that they consider it a panacea for all financial and economic ills of the nation. In England the taxpayer grumbly puts his hand in his pocket and pays his tribute to government in cash, and English industry fights its battles unaided.

In America the taxpayer's dole is taken from him in such a way, theoretically at least, as to bring to home industries aid that is inadequate, just, or excessive as the case may be. To trade with other nations, a bargain must be made, and those who have nothing to give, or will give nothing, can expect little in return. The great function of a government, in its relation to the material prosperity of the nation, is so to adjust its dealings with other governments as to produce the maximum exchange in commodities without detriment to the people as a whole. The strategy of trade finds its beginning here, and an elastic tariff furnishing, as it does, a trade in margins for the commercial diplomat, is a necessity to begin with. A treaty-made tariff is the only possible intelligent tariff, and to that basis will come, in time, all nations, be they

now in favor of protection, of tariff for revenue, or of free trade. With the increasing influence of finance and commerce in international affairs has come more common sense in international dealings.

Peace, arbitration, alliances, *ententes*, and commercial treaties, have been possible only as the different races of mankind have become more dependent upon one another for daily comfort and prosperity. The great economic waste of the war in the Balkans is one of the last tributes that will be paid to the rapidly retreating idea of conquest for the sake of territory. The Turk held his sway in Europe on medieval lines, and he and his idea had to be driven forth. The territory wrested from his grasp had, as Elihu Root once said of Cuba, a "nuisance value" to the forces of surrounding civilizations. Hence the world, not yet being ready to adopt other and less expensive methods, resorted to war to secure peace.

The law of demand and supply is the basis of all commerce. This is an apparently simple action, but the efforts of man to overcome the lines of greater resistance, to create demand that supply may be disposed of, the choice of sources of supply, transportation facilities, the superior ingenuity of one nation of producers over another, the competition of open markets, and local discriminations against one trader in favor of another, have so disturbed the natural workings of this law that it now holds good only in relation to the most primi-

tive form of trade, that concerned with staple commodities. Wheat and fuel move about the world almost without restraint. The supply flows here and there until, all things taken into consideration, prices reach a universal level. Governments dare not appreciably tax the inflow or the outflow, and as a rule, the movement is facilitated in every possible way.

In the matter of general trade, however, especially in manufactured goods, the situation is quite the reverse. Every country in the world has adopted some form of discrimination in favor of home manufactures. There is no absolutely free-trade country on the map, and whereas some of the taxes are imposed under the guise of a revenue tariff, these taxes inevitably yield a certain degree of protection from foreign competition. Directly and indirectly, assisted shipping, tariffs, government monopolies, diplomatic pressure, racial and national pride and prejudice and financial influence, and certain necessities of trade and transportation, have all combined to modify the law of supply and demand, and thus render amazingly complicated the international exchanges of commodities.

These artificial conditions are concerned with the strategy of trade, and the peoples who play the game most energetically and with greatest skill grow industrially, commercially, and financially greater than their neighbors of less energy and resourcefulness. Directors of great industries, whose

products enter into international exchanges and meet the products of foreign rivals upon equal terms in foreign markets, have need of those same qualities that have inspired great generals to comprehensive victories at arms; and here and there arises a Napoleon of commerce, who possesses the spark of genius, or a sixth sense which enables him to win where others have failed, or to extend his victories beyond the apparent limits of possibility. The cost of production, facilities for transportation, and selling organizations, are the greater subdivisions of business; and in all or any one of these lie the secrets of success. It would probably surprise the average citizen, intelligent though he may be, to realize fully the relative unimportance of some of the forces he has been led to believe by politicians were the all-controlling factors in successful trade, and, on the other hand, to know how great enterprises may lose or even fail altogether by reason of things seemingly not fundamental to success. Many of these great producing enterprises have passed beyond the point where they are dependent upon the customs guards for their prosperity. In other cases the tariff is the sole prop of continued existence.

The "selling cheaper abroad" bogy has been a political stage property from time immemorial. It even makes no difference, and it loses none of its fearsomeness, when it is shown that England, and other low-tariff or free-trade countries, sell cheaper

abroad than they do at home, the same as is the case of protected America. There are simple and natural reasons why it is sometimes advisable and profitable to sell cheaper abroad than at home. A foreign order is usually a large order, and the cost of production is correspondingly lower; such an order takes care of surplus manufacture; it is instrumental in avoiding fluctuations of staff, output, and prices in the home mills. It meets fiercer competition in neutral foreign markets than at home, and in some cases where one article is sold cheaper abroad it is for the purpose of creating a market for other articles that are sold at a handsome profit, even greater, perhaps, than that accorded by the home market.

There are curious exceptions to this rule, in at least one line of American production, which in itself is competent evidence as to prices being fixed by the selling market and not absolutely by the producer. The cheaper American automobiles are sold in England for more than they can be bought for at retail in New York; in fact, in one case they are sold for more than it would cost to buy the car in New York and pay for the crating and shipping to England. This is because there is no car so good on the market in England which is sold within the price demanded. It is not necessary to sell at a lower figure to meet the competition afforded by the English market. The price asked, therefore, is not fixed by the cost in America, where there is an

import duty of forty-five per cent., but the fiercest kind of domestic competition. It is fixed at a point sufficiently under the price at which an equally good car of English, French, or German manufacture can be bought to make it an apparent and real bargain.

Strange things have happened in America when tariff changes have been made, unexpected results, which have confused the politician, bewildered the consumer, and for the explanation of which one must fare far afield. To satisfy the demand for free hides, Congress removed the import duty thereon. Hides did not cheapen in the United States, but increased a dollar apiece in price in Argentina, the largest hide-producer in the world outside the United States. The import duty on wool is eleven cents a pound, and yet wool has sold in the United States for as low as seven cents a pound. In some cases human ingenuity sets at naught the effort of government to regulate trade and prices; and in other cases the law of supply and demand, or one or another of a thousand possible causes, mocks human effort to raise prices or to lower them.

The strategy of trade means either taking superior advantage of natural facilities, or overcoming natural or artificial barriers to markets, to such degree as to neutralize the opposition of commercial rivals. There can be no fixed measure of the power to compete by ascertaining the cost of production. This varies with every individual establishment or country. Successful competition may result from

superior organization or the taking of quiet advantage of commercial rivals; in brief, the master mind in the strategy of trade will forever confuse his opponent by methods and lines of action which careful analysis of obvious conditions often fail to disclose. In some countries, success means concentration on the process and cost of production; in another country, it may mean superior diplomacy or policy; and in still others it is neither more nor less than temperament. There are lands where the restless energy of the American producer is the thing needed; in another land, the main strength and awkwardness of the British; in others, the adaptability of the German, the subtlety of the Latin, or the devious ways of the Oriental. The system and power of the American, in his vast production of goods of heavy tonnage and mechanical ingenuity, stand him in good stead. The imperial power and vast shipping and financial resources of the Englishman are all-prevailing. The patience, industry, adaptability and coöperation of the German traders are the secrets of their success. The subtlety and finesse of the Latin and the Oriental peoples are indicated in the lines of trade in which they are supreme.

The Englishman, the German, and the Frenchman are pioneering the rapidly opening trade routes of Africa. When Stanley went in search of Livingstone he knew exactly where his man was to be found before he started; the German traders

told him quite readily. So the really great task was getting to him; and while English statesmen were arguing with the various foreign offices of Europe over the demarcation of spheres of influence in Africa, these same German traders were quietly making treaties with African chiefs, which treaties hold to this day. The French made friends with the Algerian and took his business; the English guaranteed the personal and financial safety of the Egyptian, and sold him goods. The American Standard Oil Company and the American Tobacco Company sent their best strategists up the rivers and overland into the heart of anti-foreign China, selling their products by the way, and thus blazed the trail for all American or other trade to follow.

When the Argentinos wanted two new battle-ships, the builders of the world competed. The State Department of Washington spent \$12,000 in cable tolls between Washington, Buenos Aires, and London, and the contract went to American shipyards. The shipbuilders of Europe cried "fraud," but they knew better. They were beaten at their own game, and by new, direct, and less involved methods; and they knew it. For years foreign goods were sold in the near and the Far East through bribery and coercion. The American manufacturers of harvesting machinery issued the strictest orders that he who sold through bribery or "squeeze" should be discharged; they cut the price by the amount of the graft dispensed with, and in

the end took the business, leaving their rivals to do likewise or retire from the game. It was a strategic move of the greatest moment and of far-reaching consequences.

Ships leave the Argentine Republic every week of the year loaded with wheat, the final destination of which is unknown to any one. When these ships arrive at some intermediate telegraphic point within striking distance of the ports of Europe, orders are received to go here or there, as the most profitable market may present itself at the moment.

In every great steamship office to-day, men are at work figuring on the effect of a completed Panama Canal upon the movement of traffic. New ships are being ordered; new flags will be assumed by old ships; new agencies will be established; and the tonnage which to-day travels to the East may in another year turn to the West to reach the ultimate consumer in the quickest time and at the least cost.

In the days of sailing-vessels and few railroads, trade routes were more or less determined and changed slowly. Steam vessels set wind and current at defiance, and new canals and railroads are yearly added in bewildering number to the transportation facilities of the world. Each one of these makes some difference of importance to the exporter; he must know of them all in time to route his shipments by the quickest and cheapest way, and send his travelers into newly-opened territory. He comes late to the feast who awaits the actual

accomplishment. It must be anticipated and discounted; and that is the reason why the strong financial or commercial organization, with numerous sources of information, excels in capturing an appreciable share of the trade of the world.

Not so very many years ago, an energetic judge of an American court of law assessed a fine of \$29,000,000 against the Standard Oil Company. This action created a sensation in the United States, but it cannot be truthfully said that it was taken seriously by the people of the country. They knew that there were other courts to which the case would be appealed, and that confiscatory judgments were not likely to stand a final test. It served its purpose as a theme for the summer roof-garden jest, and for the employment of learned and expensive counsel; and when the court of review declared the fine void for various and sundry reasons, no one, in the United States at least, was very much surprised. In Hong-Kong the local newspapers, English and Chinese, printed the news of this fine, and Chinatown was agog with the magnitude of the sum. The day following the publication of the news, and long before the beginning of the business day, in front of the Hong-Kong office of the Standard Oil Company gathered a crowd of Chinamen, who stood with Oriental patience and apparent stolidity, watching the doors and windows of the building. At the usual time the clerks appeared, opened the doors, drew the

blinds, and put things in order for business. Later the manager appeared, cheerful as usual, and with his customary cordial greeting to the Chinamen he knew who were standing around the door. Satisfied that things were going on as usual that day, the crowd soon dispersed, and word was passed throughout the city, across to Kowloon and from there to Canton, and up the West River into the interior, that whereas the Standard Oil Company had been fined \$29,000,000, it was still at the old stand and doing business as before. Great was the Standard Oil Company, and great it remains to this day in the minds of the shrewd *compradores* and merchants of China. It was the best advertisement this American company ever received in the Orient, though, to tell the truth, it needed none, for it is the pioneer of all American trade in that part of the world.

Still later the American people, speaking through their legislative and administrative representatives, decided that the Standard Oil Company was all too powerful at home, and compelled separation into its component parts. It is not within my province at this time to discuss the effect of this disintegration upon the business of the company at home; but the effect upon the foreign trade of the company is apparent to any one familiar with conditions as they must be met in trading with other peoples. Word has also gone abroad, even to the remotest corners of the earth, that the power of this great

industrial enterprise has been curbed, that it no longer presents a solid front of hundreds of millions of capital, a great and far-reaching organization working as a unit, and a variety of interests that render competition costly, difficult, and even dangerous on the part of others. In the minds of the world, as well as in the eye of the American world, it is no longer the Standard Oil Company of America, but the Standard Oil Company of New York, which does business in foreign lands. It might be said that this could make no difference, that trade is trade, that oil is oil, and that supply and prices are all that control; but those who trade in far-off lands know that this is not so, for many millions of capital invested in foreign business are dependent upon a state of mind among the people, the ability to impress governments with power and resources; and the position of the Standard Oil Company is now more like the position England would occupy in world-diplomacy should she suddenly lose her dependencies, and her own people declare themselves at war with their government at home. In brief, a loss of prestige has come to this organization abroad which makes the always difficult battle for foreign business even more strenuous than before.

This is not apparent in the Orient alone, for even some of the countries of Western Europe took courage and attempted discrimination against American products, seeming to feel themselves



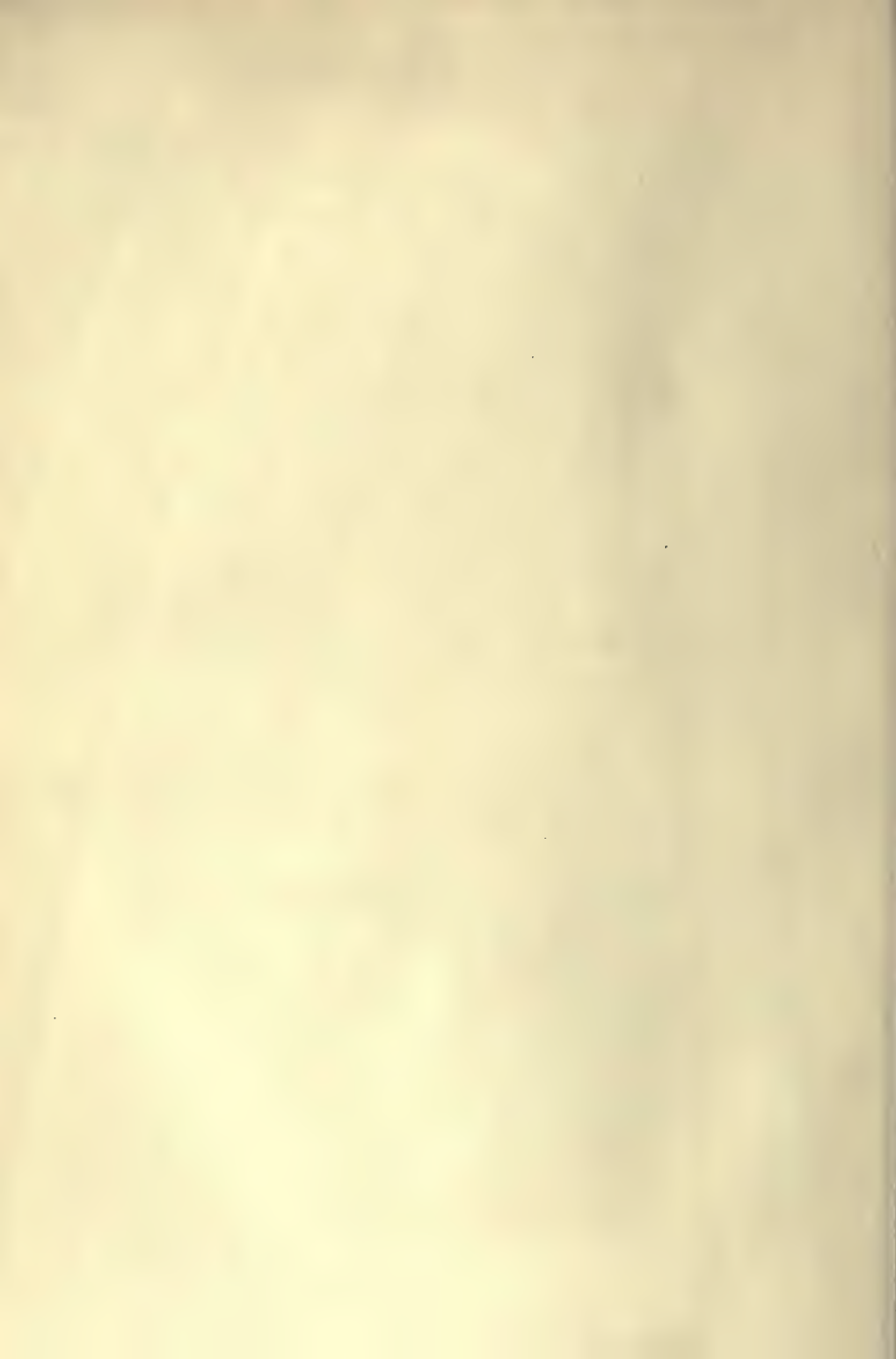
Photograph by Brown Bros.

The Paris Bourse.



Photograph by Brown Bros.

The Vienna Exchange.



secure because the exporters thereof were in ill-favor at home. It was a great surprise to these governments to find that such discriminations were resented in Washington even to the point of formal diplomatic protest. They had not fully grasped the fact that a family row was on in the United States, and that outside assistance in chastening the alleged culprits would not be tolerated. A certain loss of prestige remains, however, and as the raw material originates in America this particular organization cannot counteract this loss by doing as some others equally in disfavor have done, that is, by extending their manufacturing interests in foreign countries rather than at home, in the effort to overcome local pride and prejudice, and perhaps to avoid customs discriminations in other lands.

Along the Chinese coast business is known as "pidgin." "Pidgin English" is business English, and is the language used by the Anglo-Chinese traders. There are two kinds of "pidgin" in the Orient; one is just plain "pidgin," where goods are bought and sold on the strength of sheer necessity. No personality enters into this form of "pidgin." The other kind is "friend pidgin," and the great bulk of trading in the Orient and in many other parts of the world is based upon this system. "Friend pidgin" implies personal knowledge of each other on the part of both buyer and seller. As a rule, it implies also mutual respect and con-

sideration, or mutual fear of each other's power, and a willingness to compromise by doing business together. "Friend pidgin" is not done over the counter. It is in the homes of the parties interested, over the lunch or dinner-table, in the cafés or clubs, or at the social gathering. It is a system that extends from high government officials and managers of great industries to the street vendors. There is much talk, much drink and much food, but when, to use a piece of useful American slang, the talk is "added up," it spells vast exchanges of commodities and many millions of dollars in bank transactions.

To do "friend pidgin" successfully requires adaptability, shrewdness, a regard for the future in the matter of reputation, a thorough understanding of the people with whom there are dealings, and an intelligent comprehension of the customer's country and the conditions under which he lives. All markedly successful foreign trading is based on this knowledge, and the much-talked-of "opportunities for trade" are valueless unless the foundations are surely laid in such comprehension. To tell a man that he could sell his goods in a foreign country means nothing but disappointment and loss to him unless he knows how to sell those goods and the conditions under which they will be bought and used. The purpose of all writing on foreign trade should be to familiarize the far-distant vendor with the conditions and the people,

and their usages and needs, as he will find them, for only on this underlying knowledge can he build successfully.

Some years ago, in the days when the British market looked to the United States for a larger part of its supply of timber, an enterprising and successful mill-owner of Kentucky found himself overstocked with pine doors. A happy thought occurred to him. He sent his surplus to the seashore, loaded a ship to the danger line, and sent the cargo to Liverpool, congratulating himself upon his astuteness, as it had not occurred to him that it might be wise to investigate the English market for pine doors in advance. When his cargo was unloaded, he found, greatly to his surprise, that he had to sell at a price that barely covered the cost of carriage, and that he had disorganized the British market for pine doors for months to come.

Such examples of American foreign trading in manufactured goods have been all too numerous in the past, but the explanation is simple, for millions of dollars in American foreign trade do not represent a scientific exploitation of foreign markets, but a disposal of surplus products created by over-production. The goods have not been made originally for shipment abroad, and have been sent abroad only when unsalable at home. In the matter of food-stuffs and raw materials, this adjusts itself. If England does not get her grain from

America in sufficient quantities it comes from elsewhere. No expert selling organizations are needed for these supplies; they sell themselves. It is only where manufactured goods are put on the market that selling organizations have to be built up, customers found for the goods; and once these markets are created they must be intelligently and constantly supplied, or the trade is lost.

Several years ago, when the British press was abusing the American "meat trust," as it was called, and attributing to it the then prevailing scarcity and high prices, one American firm alone lost a million dollars in six months, owing to the fact that meat products had to be sold in London at the same price that could have been obtained in Chicago. This firm, however, had built up an extensive selling organization and a fine line of custom, and it was better business to keep up the supply at a loss for the time than to break up the organization and lose their regular custom. When prices equalized themselves, as they did later, the wisdom of his course was apparent, and the loss was soon turned into gain. In many instances, where there is an apparent immediate demand for goods, it is not profitable to offer them, not so much because the market might not continue, but because the vendors are not reasonably sure of maintaining the supply, and the cost of a single or first shipment is usually greater than that of the second. It is in the supplying of a steady demand with regular

shipments, under experienced conditions, that the ultimate profit is found.

In a conversation I once had with a member of President Taft's cabinet, he asked me who were the leading and the best foreign traders among the American people. In reply I named six or seven of the greater industrial corporations. The cabinet official looked at me thoughtfully for a moment, and then, in a slightly ironical tone, said briefly, "The enemies of our country." The situation he suggested was anomalous, for at that time the Department of Justice was spending millions of dollars in an attempt to curb the home activities of these same organizations, while at the same time the Department of State was expending millions in an attempt to extend their foreign business.

It is naturally the interests of the largest traders which are most advanced by political and commercial diplomacy and to whose affairs American consuls abroad give most attention. This is not done with any idea of favoritism or preferential treatment. Assistance is given to American trade as a whole. The only part that needs or receives any help is the trade in manufactured goods. The big industrial concerns export the bulk of these goods, hence they receive the greater part of the benefit. Besides, they are in a better position to present effectively their claims to home or foreign governments. The advantages gained by these methods accrue to the smaller trader also, following

in the wake; but "Big Business" is the pathfinder for the crowd that follows.

The truth of the matter is, however, that big business seldom calls on the government for help; neither does it often find it advisable or useful to protest against injury from unwise or awkward foreign policies. When it was suggested in 1912 that Congress was about to terminate the existing treaty of commerce with Russia, the heads of the big industrial corporations, who were well aware of the unwisdom of the course proposed, laid a protest before the responsible officials in Washington, setting forth the unfairness of such action, indicating in convincing figures the damage that might come to American trade and finance, and suggesting a less abrupt and possibly more effective way of securing a new treaty. The protest had no weight with Congress, though it did arouse the effort of the administration to exert the utmost diplomacy in a difficult and awkward situation. The big corporations could do no more, for in this case local politics clashed with diplomacy; so, for fear of retaliation later from the successful politicians, business and finance held their peace, and diplomacy went under as gracefully as possible, but none the less effectively.

There are men who sit in private offices in the huge buildings of New York City whose knowledge of foreign politics and foreign affairs is greater than that of all the officials of the State Department

of Washington put together. This does not mean necessarily that they would make better secretaries of State than the men we have already had, or even that they would make good ones, for the Secretary of State must not be governed entirely by material interests in his official actions. It does mean, however, that if accurate and up-to-date information were wanted as to the economic and political condition of any foreign country, it could be secured in some quiet office in a New York skyscraper when all effort to find it in Washington had failed. There are several reasons why this is so, the principal one being that, owing to the comparatively short term of office in high positions in Washington, the United States is not found guilty of a continuous foreign policy except on the broadest and most fundamental lines. Another and a highly important reason is that under the present system at Washington it is virtually impossible to get an important and valuable piece of information to the head of the Department of State except through a close or intimate personal acquaintance. If the secretary happens to know what he wants he can probably get it; but, owing to the excellent clerical and filing system, nearly all the really valuable "tips" that should go to the man who is responsible for the interests of the nation abroad find a resting-place in a neat pigeon-hole where they could easily be got at if any one knew they were there. The head of a big exporting

business has laid on his desk every day at least a summary of all letters and cable messages that come from abroad. His own knowledge is extensive and practical, to begin with, and it never lags behind the clock.

I have in mind one man in New York, who with quick, incisive brain keeps in close personal touch with his nearly two hundred selling organizations, which cover a map of the world like stars in the firmament. He knows the business of each one of these agencies, and he personally selected the men to manage them. Like a spider in the center of his web, this man sits at his desk, with these two hundred lines thrown over the world like a net, and each one of them carries to him daily a telegram or a letter that tells not only of goods sold, but stories of wars and threats of wars, the coming downfall of cabinets, changes in the tariff, condition of the crops, and the general state of trade and humanity in the present and the prospects for the near time to come. His desk is never encumbered; he may be approached by any one who can tell him anything of interest; he has time for all the amenities of life; his clerks do the work that is to be copied or pigeon-holed; but it is his master-mind which plays this big game involving all the arts of war and peace. He would be the last man to think that he would make a good Secretary of State, and yet the work of the Department of State in Washington looks like boy's play to him, and it would be; but



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The Stock Exchange, St. Petersburg.



Photograph by Brown Bros.

The Bourse, Brussels.

other things are needed in the world of diplomacy than even knowledge and strategical genius, and unfortunately one human mind does not seem to be capable of them all.

There is a way to solve this problem, however, and an example is already at hand, of the effectiveness of the plan. If the American Department of State, not through its civil-service clerks or its pigeon-hole experts, but through its chief, would coöperate with these men who are selling billions of dollars' worth of American manufactured goods every year in far-away lands, largely through their intimate knowledge of foreign affairs, there would be fewer mistakes in American international diplomacy. Many a plan that has failed never would have been put forth; the United States would have withdrawn from the Chinese Six-Power Loan negotiations in the Taft administration instead of that of Wilson; the proposed neutralization of the Manchurian railways never would have been suggested. The potash controversy with Germany would have ended with more credit to those who carried it on, and the commercial agreements now in force between the United States and foreign countries would have resulted, in some instances at least, more favorably to American trade. The failure of many of these has been written down in private offices, long before Washington caught even a glimpse of the inevitable.

There is apparently more direct coöperation

between industry and statecraft in some other countries. In England the commercial attachés, in such countries as they are maintained, who are experienced men of many years of knowledge, guide the ambassadors and ministers in their *pourparlers* on commercial matters. In Germany the great industrial and agrarian leaders place their knowledge at the service of its foreign office, and the foreign office experts are ever ready with technical details so obtained to guide the responsible minister in his foreign dealings. It is not a question of politics in either of the countries mentioned; it is a matter of business. Practical advice is sought by the political heads, and is acted upon; information is gratefully received, and is made effective in playing the game. To know whether your opponent is bluffing or not is useful in everything, from a game of poker to the making of a treaty, and diplomatic channels are oftentimes not the most effective and reliable sources of information as to the real status of practical affairs or the foreign state of mind. These things are secured only through "friend pidgin" in countries where governments act first and ask the approval of the people afterward.

To achieve this desired coöperation of government and industry, however, there must be mutual friendliness and confidence. Antagonism and lack of confidence have alienated "Big Business" in America from the administrative officials of the

Government. To state the causes that have led to the situation is not my intention. They are quite generally well understood; but it may be said that politics has played altogether too important a part in the dealings of the Government with industry. Hence industry, in self-defense, has projected itself into politics in none too desirable a manner. To make the great exporting industries of the country the scapegoat of ambitious office-seekers or holders is to destroy all possibility of that coöperation between the Government and the export trader which is essential to general success and which can be witnessed working to a notable degree in other countries, especially in Germany. With a government machinery and a people working in harmony, backed by the great natural wealth of industry of the United States, no man would dare set a limit to the success that might be achieved in seeking an even larger share of the trade of the world than now comes to American concerns.

The thirty-five billion dollars which the people of all nations are spending abroad is fair game for all; but the prizes are drawn by those who prepare themselves for the battle and develop to the highest point the art of trade strategy. In the offices of the international trader the world over, thousands of young men are to-day studying languages, geography, and foreign politics in addition to the details of the particular business in which they are engaged. These men will in time go forth to take

the place of those who have opened the trails, and in so doing may either have shared in the profits of adventure or, failing in the great achievement, may have given their lives to the cause; for it is a cause in that civilization follows in the wake of the trade pioneer, and that the profits of his trading enrich and strengthen the nation under whose flag he sails.

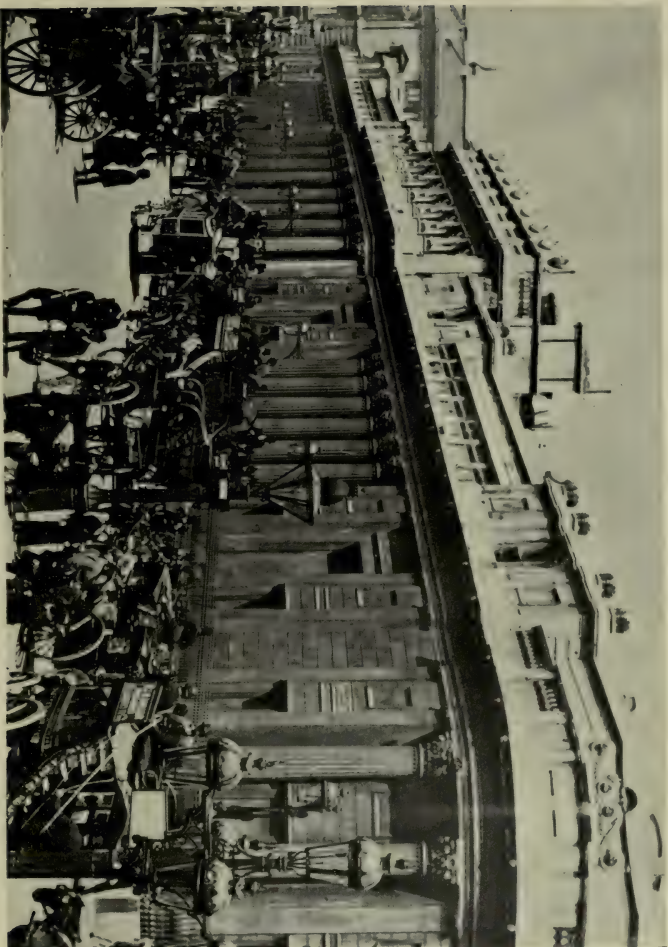
The governments of the world direct their foreign policies at its mandate; it is the greatest cause of war and the most effective force for peace; a gain or loss therein spells prosperity or poverty for a whole people. No nation is too great to ignore, none too small to escape, its vitalizing power. The merchant whose desk overlooks the great harbor, and whose visitors smack of the sea, is no more concerned with international trade than the farmer a thousand miles from the seaboard whose daily round of labor is for the production of export, and whose daily needs are dependent for their supply upon successful import. It is the trade of the world that has brought all nations into closer touch and has given to the man of one country the advantages of all countries. The governor of Texas who opposed immigration on the ground that if encouraged it would not be long before the inhabitants of Texas would be "jostling one another into the sea," and the members of the House of Representatives who said that if he could have his way the Atlantic and the Pacific oceans would be converted into lakes of molten fire, were either

“throwbacks” to the cave-dwellers, or were born a few thousand years before their time; for this is the age of international trade in all things—material and spiritual.

II

THE COMMERCIAL STRENGTH OF GREAT BRITAIN

SOME time since I sat in the private office of the head of a great English company, chatting with the executive chief of the concern. The office was more like the library of a magnificent private residence than a place of business. It was very large, and furnished in rather somber but most pleasant fashion; soft rugs covered the polished floors, beautiful old mahogany bookshelves and cabinets lined the walls, while here and there an engraving of a good picture served to relieve the eye. In the center of the room at a big, flat-top desk of English make sat a man well on in years, and of the kind described as "an example of the best type of the old-school business man," shrewd, but kindly, gentle in manner, sure of ground already trodden, and fearsome of new adventure. The concern of which he was the head was possessed of enormous capital, an amount which would command respect even in Wall Street. The business was the manufacture of certain railway appliances now used in every country of the globe with one curious exception, the United States, a country which



Photograph by Brown Bros.

Bank of England, London.

beyond doubt offers the largest and most profitable field for their exploitation. In response to my natural inquiry as to why this should be so, the director said:

“I am personally responsible, I might say, for the fact that our company is not doing business in the United States. To tell you the truth, I am afraid of you Americans. I was in New York some years ago and the memory of that visit is almost a nightmare. To be frank, you Americans terrify me. I am deafened, swept away, feel utterly helpless in your hands. We are doing very well as it is, here and in other parts of the world, and while I know the United States is probably the greatest field we could enter for business, well, we just haven’t done it, that’s all.” After some further talk he acknowledged that he might be prejudiced and even foolish in his prejudices, and that in time even if he were not able to overcome his fears, perhaps the younger men who would succeed him would not feel the same way.

Shortly after my visit an American direct from New York presented himself at the same office, with a letter of introduction from some bank known to the English concern. He was received with the usual kindly though dignified courtesy, and opened his conversation with the director something after this fashion:

“I have come over to buy you out.”

The director, somewhat startled, said: “Are you

aware that our capital is a million and a half sterling, upon which we are now paying seven per cent. profit—to say nothing of the question as to whether our shareholders would be willing to part with their holdings?”

“No,” said the American, “I did not know what your capital was, but if it is too big a proposition for me to handle, why you can buy me out. Here ’s my factory.” And he pulled a photograph from his pocket and handed it across the desk. It was a photograph of a drawing, and was marked “Proposed Factory of the —— Company.” The negotiations went no further, and I understand from a common friend that the terror of the English director at the thought of contact with American business methods has not abated in the least.

We Americans are inclined to be impatient with English business methods. Our people come to London to close up some affair in which Anglo-American capital is interested, and expect to return within a week—perhaps on the return trip of the same steamer on which they came over. Instead of that days and even weeks go by before people can be seen and things accomplished. When they are concluded the American goes home with tales to tell of how a “bit” of shooting, a week-end, a motor trip, a horse-race, a cricket or a golf match, or even a sick horse or dog, delayed his all-important negotiations indefinitely. When the first outburst of irritation has subsided, however, we learn

of certain impressions he brought away with him from London which are worth while. First, he is even awed at the apparently unlimited amount of real money, actual cash, which is to be had if he has the "open sesame." Then he will admit, if grudgingly, the sound conservatism, the accurate information, the keen analytical power, and the firmness of conviction possessed by the men he met and with whom he dealt. He will concede to them a knowledge of the far corners of the earth which brings India, South Africa, the Argentine, in fact every place where English energy or money has been expended, within the familiar ken of the man who may never have been farther from London than the seashore, and to whom a crossing of the English Channel would be the event of a lifetime.

On the other hand, he will have met perhaps some of the army of international tramps who for pleasure or profit travel the highways and byways, observant, matter-of-fact, thorough, and so intensely English always that everything is judged by English standards and looked at in its possible relations to English profit, political, financial, or commercial. It is these qualities, these characteristics, more highly developed in each succeeding generation, which have begotten that great unorganized volume of individual trading known as English foreign commerce. The figures of this foreign commerce are so enormous as to be meaningless as such; they are but the expression of vast

human activities. To prevent confusion, they are given here approximately and in round numbers, with the corresponding figures of the United States for comparison.

YEAR	COUNTRY	POPULATION	FOREIGN COMMERCE	TRADE PER CAPITA
1880	United Kingdom	.35,241,000	\$3,490,000,000	\$100
	United States . .	.50,165,000	1,600,000,000	32
1890	United Kingdom	.38,105,000	3,745,000,000	100
	United States . .	.62,622,000	1,650,000,000	27
1900	United Kingdom	.42,000,000	4,390,000,000	105
	United States . .	.76,300,000	2,250,000,000	30
1910	United Kingdom	.44,000,000	5,550,000,000	125
	United States . .	.92,000,000	3,390,000,000	37

In the thirty years given the population of the United Kingdom has increased 25%, and her foreign trade has increased 40%. In the United States the population has increased 85%, and the foreign trade 50%. It may be added here that in Germany during the same thirty years the population has increased by 35%, and her foreign commerce has increased 250%, yielding a total in international commerce only second to that of the United Kingdom. In this great total of Germany's trade and in the rapidity with which it has risen to its present volume and value lies the reason for the anti-German agitation in England. On the surface this antagonism is political and relates to armaments, but its roots lie in the trade of the world, and it is fed upon commercial rivalry.

The bulk of the exports from both countries are manufactured goods. Both are importers of food-



Photograph by Brown Bros.

Thames River and Lower Bridge.



Photograph by Brown Bros.

The Finest Harbor in the World, Liverpool.

stuffs and raw materials. With brains and industry the German people have created a rich and powerful industrial nation out of poorer material than ever before produced such tremendous results. With a financial daring commanding admiration they have thrown their millions into the struggle for commercial supremacy, and are now reaping their harvest at the expense of their rivals. Depending upon her dominance of the seas and the weight of her billion dollars sent abroad each year for foreign investment, England now feels the sting of successful competition in her home markets. A most dangerous rival is close on her heels, and while the politician and the theorist talk of dreadnoughts, coast defenses, and conscription, her hard-headed business men are talking of new methods, cheaper raw material, and better labor.

It is a fascinating theme, this titanic struggle for the trade of the world between the old and the newly arrived giant. It is a struggle which concerns us all, but in the United States, that great self-contained country of wide horizons, still undeveloped resources, and home markets of abnormal absorptive power, we do not as yet feel the desperate strain under which those labor who compete solely in the fierce free-for-all struggle of the foreign market.

The industry and commerce of England are like those of no other country. As a whole it is orderly, in detail it is chaotic. No laws restrain or assist.

Few trades or trust combinations control the market in any one article. Its advance is like that of a crowd bent upon one object, but with none but self-imposed discipline. The movement is irresistible, but an attack by a well-organized, disciplined, and well-cared-for force of the enemy disconcerts. In Germany, the United States, France, Russia, and other countries the industrial and commercial army is directed by master minds, policed by the governments, nurtured by special legislation. In any other country than England it is possible to grasp an idea of the organization, but here we have nothing to take hold of except the figures in the aggregate.

It is only in recent years that the English government has made any effort to assist English commerce otherwise than through diplomatic channels. To intimate to a foreign country of minor importance that to let a contract for supplies to others than English bidders would be regarded as an unfriendly act might have been seriously considered not so very long ago, but it would hardly prevail now. In fact, the story goes that within recent years a British minister, either with or without instructions from the Foreign Office, did attempt to employ this now old-fashioned way of getting business, but was laughed at for his pains, and the contract was given elsewhere, much to the chagrin not only of the diplomat but of the English bidders who had urged him on.

Business does not follow the flag nowadays with that alacrity characteristic of the olden days of armed trading expeditions. The Germans have proved this, for they do their vast business under any flag. The people of the United States are aware of its truth, for business has not followed the American flag on its territorial advances, certainly not so as to lead to any great gains. Trade has followed capital and the hundreds of boards of directors which meet in London and who control foreign enterprises financed with British money are responsible for millions of trade coming to England, through their preference for the English bidder or supplies. While it is true that the foreign bidder is used to keep prices down, the Englishman is true to British industry if he can be so without too much loss in pocket. By preference he travels on English ships, uses English goods, and maintains an admirable though not always well-founded belief in the superiority of all things English. If he goes abroad he is always looking forward to his homecoming. Neither English cooking, the English climate—in fact, none of the discomforts of life endured in this strange land of strength and queer discrepancies has any terrors for him—when he is away from them. Let him live a quarter-century in a foreign land, it is never home to him. He is always planning his return.

When Bernard Shaw remarked that he was not sure whether the fog produced the Englishman, or

the Englishman the fog, he may have had in mind a certain grimness which pervades the industrial and commercial world of England. The manufacturing towns are hopelessly hideous, the laboring people live under conditions of gloom almost inconceivable. There is no joy in life; one almost wonders why they live. This atmosphere extends up to the top. As a rule the offices are dull and dingy; everything is submerged in a seriousness which extends from the boy in buttons at the door to the great man within, who, with stern face and abstracted air, may be going to a board meeting at which large affairs are to be disposed of, or to an afternoon tea—you never can tell which.

For years the English business man has had only himself to depend upon for information concerning his business. His government is trying now to help him a little. British consuls are making excellent reports from foreign lands, and the Board of Trade, with its intelligence bureau and other helpful agencies, is at his disposal. The effort made and the money spent are incredibly small, however, and when they are compared with the elaborate systems to be found on the Continent and in the United States, one is tempted to term the present manner of British trading as individualism gone mad; doomed to serious inroads or even disaster under the attacks of organized competition. The momentum of capital invested, the control of the seas, the knowledge and skill acquired

from many generations, and the dogged determination characteristic of the British people, will carry them far, perhaps far enough to give them time to set their house in order before they have lost their present lead as the greatest purveyor to the needs of the world.

For many years the people of the United States have been treated to political rhapsodies as to 'the national balances of trade. When our exports have exceeded our imports the balance was said to have been "in our favor." It is true that the years of greatest prosperity in America have been when the balances of foreign trade were largest in that direction. Our English cousins look at these things from a different point of view, for it is equally true that England's fattest years have been those in which, as we say, her balance of trade has been largest "against" her. It is when her imports exceed her exports by the most millions that business is good and profitable. They regard this balance "against" them as their trading profit, and in it lies the source of the millions of pounds sterling available annually for further foreign investment. The surplus of exports from the United States goes abroad largely to pay foreign carriers, tourist expenses, interest in American securities held abroad, and the remittances of foreign-born residents to their native lands. The fact that the country is able to do this indicates its abounding and continuing internal wealth and

activity. England is a broker, a trader, and business passes through the hands of her people leaving little more than the percentage of profit. America is yet in the making, a safe and popular debtor to the coffers of the older peoples, and England is her preferred creditor.

There is much talk in the United States of the importance of American trade with South America, with China, and a score of other places. The real importance of the trade with these countries lies in possibilities, for by comparison with our present trade with England, some of these outlets appear almost negligible. England has been for years our greatest customer and the country from whose warehouses we have drawn the greatest amount of our supplies. The exchanges of commerce between England and the United States amount to over \$900,000,000 annually, or nearly a third of our total business with all the nations. To England we send food-stuffs, cotton, and other raw materials, to say nothing of millions of dollars' worth of manufactured goods. From England we get cotton and woolen cloths, manufactures of iron and steel, spirits, and a thousand other important articles which, notwithstanding our tariff barriers, we find it possible and advantageous to import. This great trade is accepted as a matter of course by the American people and is seldom the subject of comment or legislation except it be more or less unfriendly.

The last American tariff law enacted by the Re-



From a photograph, copyright, by Underwood & Underwood.

London Dock Yards.

publicans in spite of its high import duties on the goods we get from England, was accepted by the statesmen of that country as being more just to England than any law the United States has enacted for many years. Offering us a free market as she does, England has at least expected favored-nation treatment. She has hitherto looked for it in vain. We made treaties of commerce with other nations whereby we traded concession for concession, but English goods continued to pay full rates, for, giving all, she had no power to make further concessions. Under the maximum and minimum system, which went into force with the enactment of the Payne-Aldrich bill, England was assured of the minimum rates, and while her people think American customs duties are outrageously high, they also feel that they are more justly treated inasmuch, as they express it, they are no worse off than their rivals. The American trade with England will continue for years to represent a large percentage of our foreign commerce, for England must buy her food and her raw materials, and North America is the greatest producing area for such as her people require.

In the matter of supplies the English people are struggling for independence of the United States. The fluctuation of the American cotton markets has caused riots in the manufacturing districts. American trade combinations are held responsible for the high prices of food. It is this feeling which has

helped along the spirit of empire in England and led to heavy investment in the British protectorates in the attempt to develop new supplies of cotton, food-stuffs, and other raw staples. So far these expenditures have had no appreciable effect in diverting the trade from North America, and in view of the enormous supplies required, it will be many years before they become really apparent. If such a time does arrive it will also be indicative of a change in the character of American industry, for the energies of the people will have turned to other fields, resting content that the home market be supplied with raw materials rather than a surplus be created for export. For the seller of staples and raw materials is the least intelligent and least prosperous of the world's traders.

It is British capital that has developed the British Empire and trade follows capital investment. Roughly speaking, twenty-five per cent. of England's foreign commerce is with her imperial dominions, though virtually every one of these dependencies has enacted customs laws which demand toll from the trade of the mother country as well as from that of other lands. The only concessions yet made have been those of preferential duties. How frail a tie this may be upon which to found the commercial unity of an empire of which the pivot is a free market is shown in the fact that the percentage of imports of British goods into British colonies is now decreasing annually, while imports of foreign goods

show a notable increase. It was also more strikingly brought home to the people of England by the proposed commercial arrangement between the United States and Canada. Leading English statesmen have designated this possible event as the "death of preference." Even those who have made this scheme the basis of their political creeds admit the severity of the blow should it fall and the consequent "narrowing of the margin" for the possible establishment of an imperial zollverein.

That the United States and Canada should in time come closer together in matters of material interest has been inevitable since the settlement of the one country under two flags. It has been the wonder and despair of thoughtful men in the United States that such an arrangement was not accomplished long ago. It has been the wonder and satisfaction of British statesmen that it was so long delayed. The British people have been hugging the delusion for many years that natural laws could be rendered inoperative to the end by sentiment and legislation; and that her lusty colony would remain content under the parent roof-tree and continue to contribute her earnings to the family purse even after the coming of age. This illusion has been a most attractive toy with which the British politician has interested his audience and with which public attention has been diverted from the real dangers which threatened the peace and welfare of the home itself.

Acting under the almost incomprehensible theory that the home country was being strengthened in the building up of countries which, although under the same flag, treated her only as a favored nation, Great Britain has been drained of much of her expert labor and the fittest of the unemployed. These men, with their women and children, have been urged, even assisted to leave; while the lands of the British Islands cried aloud for intelligent and economical tillage, the sweat-shops of East London grew apace through unrestrained immigration of the more or less undesirable, and the wage scales of industry remained at low ebb because of the cost of production through ancient methods and inefficiency. Like unto the mother of seven sons lost in battle, she gives of her children to the universal development and progress of the world, but the home is desolated.

To say that in this now fading illusion of empire there lies a tremendous and magnificent pathos is to seem almost irreverent, for it is to the British nation, its world-wide and broadcast sowing of right-thinking men and women that the world owes its progress in the last two centuries. It is only because of the grasping of politicians for marionettes with which to amuse the crowd that the real meanings of the forces at work are lost sight of. The people are scanning far horizons for rainbows of promise when they have the materials beneath their feet with which to stop the now ominous gaps



Photograph by Brown Bros.

Along the Docks at Southampton.



Photograph by Brown Bros.

Queenstown Harbor, a Port of Call (South Coast of Ireland).

in the wall of home defense; and there are no better materials, more quickly to be molded to desired ends, than those which lie close to hand. Anything which will leaven the toiling mass of humanity, quicken the pulse and the intelligence, bring hope to the children of the hopeless, or stimulate productive industry, will do more to prolong England's hold upon the trade of the world than a hundred imperial conferences. To devise means to keep her money and her men at home and to give each an equal chance is now the problem which lies on the doorstep of the home citadel of this fecund mother of nations, who still abounds in incredible resources, strength, and power, notwithstanding the demands already made upon her and to which she has responded with a lust for adventure without parallel.

No greater source of England's strength exists than that which lies in her dominance of the seas. It is not the armored vessels of which her people are so proud that contribute to her vitality, but the unarmed liner following its regular route, or the blunt-nosed, slow-speeded "tramp," seen perhaps first at the London docks, then again a few weeks later at anchor in some far tropic port.

The tonnage of ships flying the British flag is nearly twenty million. The United States comes next with less than eight million and then Germany with less than four and a half million. A great percentage of the American tonnage is in the coasting trade, while that of England is overseas.

There are no signs of decrease in this greatest of all the British industries, for in 1910 over 500 vessels were launched from British yards,—figures which include 331 sea-going steamers, ranging from small yachts to the 45,000-ton new passenger steamer *Olympic*. In the United States 195 vessels were launched, and in Germany 117. Nearly 50% of all the world's new shipping of 1910 carries the British flag. The very nature of England's trade demands this great merchant fleet, for her highways are those of the sea. Her greatest port of tonnage is London, the second is Hong-Kong, and the third is Liverpool.

To say that this great English industry stands on its own feet, that it is free from government aid or organized directing is as true as to say the same of the commerce it stands for. Many careless and intentionally or unintentionally misleading statements have been made concerning the aid given to steamship lines by the British government. With the exception of a favorable loan and a subvention conditional upon high speed arranged by the English government to secure the building of the *Mauretania* and the *Lusitania*, virtually no subsidies are now paid by England to further the interests of sea transportation. Statements are not uncommon in which all the amounts paid by the British government for carrying the mails and other services are lumped together and characterized as shipping subsidies. This is not really a fair

statement, for the British Post Office pays for the carrying of the mails at the lowest ton rate which can be secured under the circumstances. In former years some subsidies have been paid; one notable instance was that designed to encourage the development of a line to the West Indies, but even this subsidy has been discontinued, owing to the refusal of Jamaica to continue payment of her half share of \$200,000 a year. That the payment for the mail services is based upon actual work done is shown by the fact that with each succeeding year less and less money is paid to the Peninsular and Oriental Line owing to the decrease in the amount of mail matter sent by that route. On the whole it may truly be said that English commerce, including the great shipping industry, is entirely dependent for success upon the intelligence and persistence of designed effort and activity.

“What England needs,” said an Englishman to me, “is a tariff for revenue with a carefully adjusted degree of protection for home industry and the power such protection will give us to favor the products of the colonies.” It was in the course of a smoking-room chat on a steamer northbound from South America that this was said. My friend is the kind of man who would succeed anywhere—quiet, wasting no words, and commanding respectful attention when he does speak; practical to the last degree, and with a fortune, the profits of many years of successful trading, which speaks for the

value of his opinion. "I am going home," he continued, "to stand for Parliament on the Tariff Reform platform. The constituency in which I shall ask for votes is one of laboring men. I shall tell them what I think and take the consequences." He did, and was defeated; he stood again and was again defeated but by a smaller margin and he will try again, for he believes the tide will turn toward what he terms "a plain, common-sense view of the situation."

When his attention was called to the fact that the year 1912 witnessed an enormous increase over previous years in the figures of England's foreign commerce, he said, "Yes, it did; but a large part of the gain is accounted for by increased prices paid for raw materials imported and the corresponding increase in the prices received for goods sold abroad. The actual gain in bulk is not so satisfactory. An ominous feature of the so-called boom of last year is that according to the returns made by the labor organizations a much smaller percentage of unemployed labor was absorbed than during any trade boom of recent years. We are seriously wrong at the bottom and must put our house in order."

And now for a contrary view. A few weeks later I was traveling from Paris to London. Sitting in the so-called Pullman buffet car on the English end of the journey, I found myself opposite the kind of Englishman who is always promising of interest,—

tall, strong, keen-eyed, rather good-looking, fairly young, and manifestly full of nervous energy and interest in life; hence entirely lacking the air of boredom which is cultivated by some as evidence of "good form," that exacting God worshiped by the well-born Briton at the expense of his enjoyment in life, and often of his progress. Presuming upon my American nationality, a possession which brings forgiveness in the minds of many Europeans for certain so-called eccentricities, one of which is speaking to strangers, I began a conversation. My fellow voyager was quite ready, in fact, eager to discuss the questions which every intelligent Englishman is now debating.

"Tariff Reform, protection—no, sir, that is not what England wants. We don't need it. Our trade has grown to what it is because it has been free. England has been and is the market-place of the world. In quality we manufacture as well as any people in the world, if not better, and if we keep pace with the modernization of industry we can continue to compete in price. Let me illustrate. I am an engineer, a manager of steel mills. The history of our property is that of nearly every other mill in Great Britain. The business was founded by a practical, hard-working man, who by sheer industry, actual strength of arm, and personal knowledge of the abilities and character of the men whom he gathered about him, built it up to a creditable size. This business then passed to the sons,

men who were better educated, better off socially, but still hard workers, with an intimate knowledge of practical affairs and of the men in their employ. They sent their sons to the universities. When the time came these young men with university education, good social position, and much knowledge of many things unknown to their fathers, came into the ownership of the mills. In theory they knew what was going on, but not in practice, and they had no first-hand knowledge of the men whom they must place in immediate charge of the works. They now fail to see the necessity for capital expenditure, they do not realize that year by year the cost of production is being reduced, not by economy but by liberal expenditure, and by heroic discarding of plant still apparently useful. The articles they manufacture are still the best in the world as to quality, but they find the Germans, for instance, excelling them in beauty of finish and design, and what is more serious, they find the manufacturers of several other nations, underbidding them in price in, to them, an inexplicable way. These are the men seeking from without some relief from foreign competition, who are crying for protection.

“Some of the most ardent advocates of Tariff Reform among the iron and steel manufacturers are men who are still using the obsolete and expensively operated ‘beehive’ furnaces. Give our mills modern processes, well managed, and England can compete successfully with the world. In brief, what we

want at home is not protection, but the money now being sent out of the country for foreign investment. Delegations from our industrial people go to Germany and they see fine mills, clean, well-fed, well-housed workmen with wives contented with their lot; and they return convinced that all these advantages result from protection. They are wrong. Our competitors are merely taking advantage of the inventive genius of the age in the conduct of their business, and look upon the proper care of their work-people as part and parcel of an intelligent conservation of force and a tremendous factor in the cheapness of the ultimate cost of production."

Between these two extremes of belief, each held by many well-educated, intelligent, practical, and thoughtful men, stands the Liberal in theory, but who is for protection as a matter of expediency. He thinks that England is all right at the top, but that the laboring classes must be lifted out of the helpless rut into which he believes they have fallen. A wide distribution of education—paternalistic legislation for their benefit, old-age pensions, compulsory insurance, anything, in fact, which will lighten the burden of the poor—enlighten their minds and give them hope.

This man says the rich must rest content with even heavier taxation that the future may yield some promise of relief. This man would have protection, not because he thinks British industry needs

it, but because he believes it might assist in his general scheme of raising the mental and physical standards of the people as a whole, thus aiding in the desperate struggle to keep the nation abreast of the times and to retain her present premier hold upon the trade of the world. He says it has been done in Germany all within twenty years, and could be done in England within a generation.

Politics in England means fiscal policies, economics. The party organizations are so incomplete and ineffectual that they have built up no considerable following which votes as it is told. Political beliefs in England to-day are marked by an individualism bewildering not only to the foreigner but to the citizen as well. The questions to be disposed of by future elections, which promise under the British system to be of frequent occurrence, are those which deeply concern the integrity of the British Empire and the welfare of England and her people at home. The complexities of the problem are such that no man can say unhesitatingly that this or that policy is unquestionably the best, and few attempt to do so. And further, no man dares to predict confidently the immediate triumph of one or the other of the many remedies suggested by those who believe the situation needs remedy, or of the policies suggested by those satisfied with present conditions, but who view with apprehension the decreasing margin of distance between the England of to-day—the greatest trading nation of the



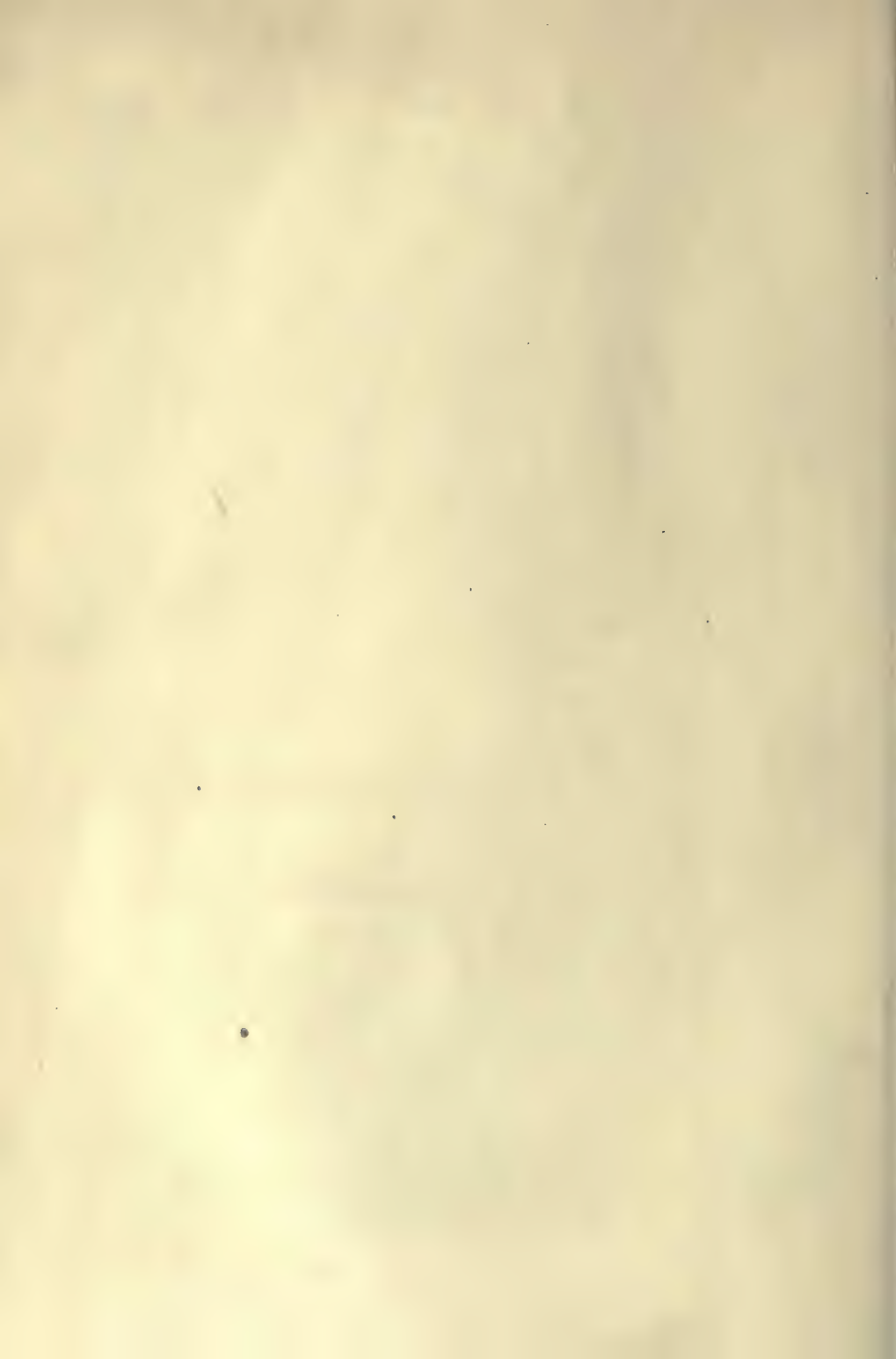
Photograph by Brown Bros.

The Custom-House, Dublin, Ireland.



Photograph by Brown Bros.

Human Transportation, Glasgow, Scotland.



world—and her active pushing rivals, hopefully following on apace.

No reference to English trade or industry would be complete without some reference to the serious labor problems which confront the employer and the employed in that country. At the same time it would be impossible to do justice to a topic of such magnitude within the brief paragraph with which it must be disposed of in a work treating of other matters, even though they be largely concerned with the problems of labor. The British workman is more of a dictator in his sphere of life and in his relations to his employer than the workman of any other country, and yet there is more unrest and dissatisfaction because of those relations, than elsewhere. Fear of labor troubles drives the bulk of English surplus money abroad for investment, and the restriction of output, which in many English trades is enforced by the employed to a disastrous point, has regulated many English industries almost out of existence. The English people must solve these problems for themselves, and the leading men of that country are deeply concerned as to the best policies to pursue. Struggling under the most adverse conditions, English industry with a most wonderful tenacity holds its strong position, and each year is a record of progress, so far as the trade of the country as a whole is concerned.

There is no sign of decadence in England. By

contrast with the rapid development of Germany and of the United States, she seems, however, to be progressing but slowly. It needs but a glance at her vast figures of foreign trade, encompassing as they do the world-wide field of human endeavor and industry, to gain some understanding of what has yet to be accomplished to retire her to second place. To British ports come vessels of every nation and to every seaport in the world are sent British-owned vessels on trading missions. Millions of tons of staples are bought by England in the country of their origin, loaded on British ships, and delivered to her customers elsewhere without touching British ports. In the warehouses along the Thames and elsewhere are concentrated the supplies of the world in many notable articles of commerce. The ivory of India and Africa are first brought here. The furs of the world are sold by auction in the London fur market. Mahogany logs lie on the London docks awaiting transshipment to countries much nearer to their native growth than England. In brief, this little island is the commercial heart of the world, and the slowing or quickening of its pulses is reflected on the bourses of the nations of the earth. With all the internationalizing of finance which has come about in recent years, England still keeps tight hold upon the purse-strings. The London bank rate is a governing factor from New York to Peking. England has been for generations and still is the great creditor

nation. More than £200,000,000 is scattered abroad annually. It is her money which builds the pioneer railroads, opens mines, dams the waters, and finances the lesser nations. From all these enterprises her people take their toll and seek new outlets for this increment. That too much money and too many men have been sent abroad attracted by promise of greater returns is probably true. She has bled herself too freely, and the heart now shows some signs of weakness. The rivalry of younger and more daring and strenuous peoples for the trade of the world is a severe test of her seasoned strength.

That she will yield in time may be true, and probably is, for history repeats itself. If the empire shall fall to pieces, it will be not in decay, but rather as the proud mother of many children reluctantly witnesses the departure of her sons and daughters into the battle of life, their inheritance one of courage, strength, self-confidence, and capacity for self-government; each with a notable share of the gold which has come to the parent purse from all quarters of the globe, and upon the investment of which is founded the prosperity and credit of these new nations, once upon a time England's dependent colonies.

III

GERMANY'S FOREIGN TRADE

HER PRESENT POSITION A MARVEL OF THE AGE.

IN one of the rooms of that apparently endless suite occupied by the German Foreign Office in the Wilhelm-Strasse in Berlin, there sits for long hours of the day, and oftentimes far into the night, a man who is known as the head of the commercial section. He may be wise, old, and tried in affairs of state, and smilingly cynical as to the satisfactory outcome of *pourparlers*, or he may be the acting chief, a younger man, full of enthusiasm, optimism, and aggression in the cause of Germany's foreign trade. One or the other is always there, however, and at his call are scores of men in other rooms, experts in this or that branch of trade, tariffs, or commercial and industrial affairs of other nations. To him come all the reports, and from his comprehensive and intelligent mind emanate the plans of campaigns, the ultimatums, the minimums, and maximums of the give-and-take game of commercial diplomacy.

He in turn is the right hand of the Foreign Minister, who, while he talks world politics and deals

in general principles, is guided by the knowledge of practical effects to be found in the commercial section of his department. It is to-day the most important division of the German Foreign Office, and while the young aristocrat billeted to an embassy secretaryship may yawn in private over the dullness thereof, he treats its wishes and commands with respectful attention. Now and again the Emperor chooses some man for an important diplomatic post because of his knowledge of the workings of this division of the Foreign Office.

To this division come reports from all over the world made by ambassadors, ministers, consuls, and commercial agents. Here also are considered the many recommendations from chambers of commerce, requesting this or that action, or making protest against this or that alleged discrimination against German trade in foreign lands, or perhaps even tendering much valued advice to the Foreign Office in matters of diplomacy. In return, the Foreign Office sends to every chamber of commerce such information of value that it may receive, or to every manufacturer that which may help or warn. The general and expert knowledge shown by the workers in this institution on the Wilhelm-Strasse has received high tribute from all those who have met them in conferences, even if these be sometimes not altogether friendly. A member of a tariff commission from the United States, after his first formal meeting with the tariff experts of the German Foreign

Office, exclaimed to me, "We are babes in their hands." Between the demand of the agricultural interests for high protection on the products of the land and the contention of industrial classes for cheap materials and cheap food for wage-earners, the path of a commercial diplomat in Germany is not an easy one, and the nice balance of political power which prevails in the Reichstag must ever enter into consideration in the making of international agreements.

Business interests predominate in German life and politics, and the conception of Germany as the "mailed fist" seeking to wrest territory by armed force is far from the truth. Neither the German Emperor nor his advisers desire war, for the very good reason that the German people abhor it. There are too many Germans living to-day who lived through the lean years following the Franco-Prussian War. They were years which gave to the United States as many as 240,000 German immigrants in a single year, and settled the Northwestern States with sturdy farmers from northern Europe. There are to-day too many Germans who are well satisfied with conditions as they are to risk a disturbance of business such as would result from a conflict at arms. This satisfaction is shown by the fact that fewer than 40,000 people now annually emigrate from Germany, and most of these come from eastern and southeastern Germany, where conditions are less favorable than elsewhere, and the

people in their characteristics are almost strangers to the German of the west.

A short time ago I was traveling through the German Empire from south to north. In the course of an attempt to ascertain the real feelings of the people as to the possibility of a war with England, I asked a hundred men of a hundred different occupations, ranging from day-laborers to the heads of great industrial enterprises, and even to the Kaiser's closest advisers, what they thought of the situation. The composite reply would probably be correctly conveyed in a shrug of the shoulders, intimating submission to whatever might come, and a fervent "God forbid!" Not one of these men gave utterance to such opinion as one could at that time have heard in any London bus or club. The London newspapers were printing letters from their readers urging the destruction of the German fleet without warning, and the officers of that fleet at Kiel kept their vessels ready for war at a moment's notice, though they knew there would be no conflict unless it were forced upon their country. In fact, everything was done by the Emperor and by inspired German publicists to convince England and the world that Germany had trade expansion, and not military aggrandizement, ever in view. Some of these efforts were useful,—the Emperor's visit to England, for instance,—but in other cases the attempt fell flat, and there was a harmful reaction. When this occurred, the Germans again shrugged their

shoulders and voted the situation as hopeless because they were misunderstood. And they are.

When Count Bernstorff, the present German ambassador to the United States, virtually announced German approval of the Monroe Doctrine,—in this repeating a declaration to the same effect, made sometime before by his predecessor, the late Baron von Sternberg,—he was criticized by a certain part of the press in Germany; but he showed no concern, for the very good reason that no such important declaration could have been made without the prior approval of the Emperor. These utterances have set at rest the oft-told tales of Germany's territorial designs upon South America, where in Brazil alone 200,000 people of German origin carry on their business without interfering in the political life about them. There is no fear of Germany seeking territory for her flag by force of arms even with the consuming ambitions of a majority of her people for new commercial business. She may attempt to get it by treaty-trading, as in the case of West Africa, but her people have been, and are, content to do business under any flag that gives them protection and profit.

As a rule, Germans are not successful colonists. They seem to lack that talent for administering the affairs of other peoples possessed in so marked a degree by the English, and they are readily absorbed into the life of any other nationality with which they are thrown. While the insularity of the English-



Photograph by Brown Bros.

Waterfront, Hamburg, Germany.



Photograph by Brown Bros.

Waterfront, Bremen, Germany.

man defies environment, the adaptability of the German renders him a tractable, law-abiding, and temperate citizen anywhere. He has an inherent respect for law, order, and authority. This is not all to be attributed to military discipline, as is often done, for it is found in those who have never shouldered a gun as well as in those who have served in the ranks. With many, military training undoubtedly makes them fit physically, cleanly in their habits, respectful to authority, and quick to obey, but one cannot observe the nation as a whole, from the Kaiser to the laborer, without feeling that there is something in the racial character which gives ready response to regulation in all things. There are other countries where military service is just as compulsory and general, though the people as a whole show no such results.

The entire German nation is disciplined to a degree seen nowhere else, and the additional touch of military training adds to the result amazingly. The captain of industry counts upon the obedience of his men as would the general of an army. If that army revolts, it is in the belief that the command of the revolutionary leader is superior, and the obedience is as complete. When 250,000 men in the Westphalian coal-fields struck for improved conditions, it was largely the employers who yielded, because the Government intimated a possible nationalization of coal-mines if a settlement was not soon reached. In 1890 there were 86,500 members

of unions in Germany; in 1908 there were 2,500,000. To-day, including the Roman Catholic and Protestant unions, there are 3,600,000 German workmen banded together for self-protection, and their work is effective. In the German Empire there are 483 industrial courts for the settlement of labor disputes, and in a recent year out of 253 cases submitted, 224 were settled more or less amicably.

The Socialistic element is strong, and its influence is reflected constantly in parliamentary acts. It is intelligent Socialism, however, and while oratorically demanding the impossible, yields to expedencies. While listening to a debate in the Reichstag not long ago in company with one of the younger, but most influential, members of the Socialist party, I remarked upon the apparent inconsistency of the Socialist members in voting for an increase in the army.

My companion smiled and said:

"Oh, yes, we ask everything in our platform, but we take what we can get in the way we can get it. We give the Kaiser his soldiers not only because, as every German knows, his country is surrounded by enemies and must be well guarded, but also because we know that in return we shall get something else for the benefit of the working-people. We are practical." That is the secret of all German trading, commercial as well as political: it is practical, and, it may be added, thorough.

An American visitor to one of the big German

cities who rises from his bed in the hotel at 7:30 in the morning and steps to his window for a breath of air and a glance into the street, will suddenly become aware, if he be opposite a bank or a big mercantile establishment, that behind those long rows of windows a host of clerks are already at work at their desks. He may think for the moment that this is exceptional, but he will find on inquiry that these clerks have been at work since seven, and have done this every working-day of the year. He may grumble at the absence of two hours for dinner in the middle of the day—hours which at home are to him generally the most productive of business; but when at five in the afternoon he calls his day's work done, he will find the clerks still there, and when he is getting ready for dinner at seven, they will just be leaving their desks for the night. He will also find that in these banks, import and export houses, and other large establishments, many of the employees are working for small wages or for none at all, looking forward to the time when they will be considered worthy to be sent to some foreign land in charge of old established branches or to start new ones.

On a German steamer, bound from South America to Bremen, I once met a young German who excited my attention by his alertness to all that was going on about him and by his persistent thirst for information about other lands than those he knew. I finally asked him what took him about the earth

so much. He looked at me a moment, and then said:

“Now, don’t laugh, and I ’ll tell you. I sell perfumery.”

I looked at his six feet one of brawn, his good and tasteful clothes, and thought of the five languages he spoke fluently, and I said:

“But I thought France had almost a monopoly of that business.”

“Yes,” he said quickly, “of the kind of perfumery you use and all these people about us use. I sell ointment to the naked savages of the world. The louder it smells, the cheaper it is, the better they like it, and we ’ve got the world beaten in that line.” Here he chuckled a bit as he added: “A man would be arrested as a public nuisance if he exposed the stuff for sale in a civilized country. It’s awful, but it ’s what they want.”

“What they want”—that expresses the secret of German trade exactly. The German foreign trader gives his customers what they want, and he gets the trade, if he can make the price; and if he can’t, there is not much use of any other trader trying. The German trader will not lose if he can help it; he prefers to do no business at all: but he will rest content with a margin of profit which the American and even the Englishman would say was “not worth while.” Coming through the Red Sea on a day that blistered the decks, I observed a German, evidently a commercial man, working hard at a writing-table

covered with sheets of paper full of queer hieroglyphics. In answer to my look of curiosity, he said:

"I 'm working on my private cable code. I sell 12,000 different kinds of cloth and things, and I 've got a word for each, with quantities and other details worked in. It 's quite a job."

He mentioned a large city as his headquarters in the East. I was familiar with the place, and inquired as to the location of his place of business. He said:

"I have none except a little room over the bank on the corner of —— Street in which I keep my desk and samples. When I sell, I cable Hamburg. Last year I sold one million marks' (\$250,000) worth of goods because I can sell cheaper than any one in that part of the world. I have no rent, taxes, or wages to pay, or idle stock, and my terms are cash. Except for my cables, it is all clear profit, small on each order, but it counts up. I give them what they want, and cheaper than they can get it elsewhere. I make the factories at home supply me with goods manufactured according to the ideas of my customers, and I have to go home every two years to see that they keep on doing it."

Here was a man who worked upon so narrow a margin that he could afford no carelessness or errors of judgment.

If an exporter of any German inland city finds that by a slight saving here and there he can com-

pete in some foreign market with the products of other nations, the Government will do what it can to help him scale down the cost price. The railroad commission will reduce the rates on his raw material and finished product, the steamship companies will give a special rate, and the banks will adjust his credits accordingly. He is put to no trouble in the shipping of his goods. He can deliver them to the nearest railway-station, marked for Timbuctoo or elsewhere, and when he has paid the rate, which will be promptly furnished him, he has no further care. The goods may depart by rail, be transshipped many times, and even be delivered from the back of a mule; but that is no concern of his. His goods will be delivered, and payment collected, if he so desires. "Trading made easy," is the motto of the German Government, and it is being lived up to wherever possible. It might also read, "Competition made easy," for that is what it means in the trade of the world.

The great strategic and trade artery of Europe is the Rhine. It is little wonder that hundreds of thousands of lives have been sacrificed in the struggle for control of this river in the days when men fought at arms for their commerce, or that Germany guards it as the base of her impregnable position in Europe and in the trade of nations. Armies can quickly and easily be moved back and forth on its current, inland cities are converted into seaports, and great barges make transportation easy and

cheap. Last year there passed under the shadows of its medieval castles fifty million tons of merchandise, an amount equal to a seventh of the total tonnage of the railways of the empire, although the latter have shown in ten years an increase of forty-seven per cent. in business transacted.

Waiting in the harbors of the west coast lie fleets of German steamers sailing to almost every known part of the world, and ready to coöperate with the forces on land in order that German traffic may be successful. No government subsidies are paid to them: their advantage lies in the friendly purpose of the Government that all rules, regulations, and laws shall work to the end that all money paid for production and transportation shall go to German enterprise, and that the foreigner shall return this to the shipper, plus his margin of profit.

A recent live-stock census of Europe credits England with possessing nearly eight million cats, whereas in Germany, with more people and greater area, there are fewer than half a million; while only one million dogs are to be found in Germany, as compared with the four million in England. Making due allowance for the love of animals among the English, there is still a big difference to be accounted for, and this is found in the close economy of the average German household. In their possession of the more useful members of the animal kingdom Germany ranks high as compared with all other nations; and in a recent speech the Chancellor called

attention to the significant fact that the imports of meat are decreasing, due to the fact that Germany now produces ninety-five per cent. of the meat consumed by her people.

There are signs of the times to be noted among these people, however. The cost of living has increased there as elsewhere. Prosperity has brought its penalties—carelessness and extravagance. The old-fashioned German looks aghast at the expenditures of the younger generation. Berlin apes Paris, and the effect is not always pleasing. The touch of the world of fashion and dissipation has fallen upon the German people, and the life of the young spendthrift of either sex is not different from that of the same class elsewhere. This spirit is spreading, and in time will rob the German people of one of the advantages they have had over others in the past. Life here, as elsewhere, is becoming more complicated, more expensive, hence less solidly constructive. This is the sign of a new and less virile order of things. It may not flatter the “smart” Berlineses to say that they have not as yet achieved the skill of the New Yorker, the Parisian, or the Londoner in extravagance, but they are doing their best to imitate, and will in time arrive at the desired point. It will be necessary then to take another look at Germany, to estimate her forces and her future.

A thousand instances could be given of the growth of individual German industry. Many of them are



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Shipping Scene at Dresden, Germany.

used daily in the press and on the rostrum to illustrate German prosperity, that other peoples may take note and warning. Twelve years ago France produced more locomotives than Germany; to-day a single German firm produces more locomotives than the whole of France. Men who formerly traveled in Germany selling English chemicals now travel in England selling the German products. The part that science has played in all these matters is well known. Technical schools and industrial concerns work in coöperation. A volume could be written—in fact, many have been written—dealing only with the close coördination of science and industry, and the great part it has played in bringing into productiveness originally unpromising land and material. It might be said of Germany as was once said of a prominent American statesman, that he represented “the highest possible development of the commonplace.”

As a seller of goods to Germany the preëminence once held by the United States has now gone to Russia. The change is due to a decrease of exports of food-stuffs from the United States, and an increased export by Russia. The sale of our products to Germany is steadily decreasing. This is due, as I have stated, to a generally decreasing American export of food, and also to the increasing productiveness of Germany and her development both agricultural and industrial. Great Britain and Austria-Hungary are larger buyers from

Germany than we are, but the United States has been increasing its German purchases in the last three years in far greater proportion than these countries. American consuls in official reports have freely admitted the possibility that in many important lines of goods the United States has or is rapidly reaching the high-water mark of sales to Germany, and have frankly stated the cause to be that Germany is now producing in quality and quantity more of what her people consume. As it is, the great bulk of American exports to Germany is raw material, such as cotton, lumber, oil, agricultural products, and the like. Every year Germany sells to the United States vast quantities of chemicals, wines, toys, porcelain ware, dyes, and sugar, to say nothing of 1300 tons of picture postcards. The total sales to the United States in 1910 were \$150,600,000, while in 1908 they were only \$104,000,000, an increase of nearly fifty per cent. in three years! German purchases from the United States in 1910 were \$282,600,000, while in 1908 they were \$305,300,000, a decrease of eight per cent. in the same period. The sales made to the United States by Germany are far more valuable to her people than the American sales to Germany are to Americans. The German exports represent a great proportion of labor, while a lamentable proportion of American exports represent raw material already high-priced enough at home. There is a good trade in Germany in American machinery of all kinds, but that is a

field in which the German manufacturers are especially ambitious, and in which they are making rapid progress.

The industrial life of Germany gives the impression of a great street crowded with heavy traffic. This traffic is formed of units, but all have a common purpose and direction, and it is well regulated. It is aggressive, noisy, and dangerous to those who brave its competitive perils. It is artificial, as it caters to the needs of man largely outside of the actual necessities for subsistence, and it is subject to increases or decreases, congestions or even sudden stoppages; for, unlike the bulk of the traffic of the United States, it is not the irresistible flow of a mighty river of natural products seeking the level of supply and demand. Ever increasing its volume, ever extending its zone of influence, the foreign trade of Germany is the marvel of the twentieth century. Where does it all come from? What is the driving power from within? What does it mean to the rest of the world?—these are questions which present themselves with startling insistence. The growth and power of a nation are indicated by its commerce, which provides for the people and makes all other forms of life possible. To-day art, literature, and the sciences flourish or decay as people prosper in their trade with the world. Only one country, Great Britain, is a greater factor in international trade than Germany, and by perceptible percentages Germany is gaining on her rival, hav-

ing already reached a point where statisticians can estimate with reasonable accuracy, barring disaster, the year soon to come when Germany will outstrip her neighbor not only in catering to the wants of peoples foreign to her own, but also in her absorption of the products of other lands.

To look for the causes of this phenomenon, it is necessary to discard the obvious. The United States, with its unmeasured natural resources, possesses a motive power only needing population to make it effective. Great Britain builded herself to financial and commercial greatness through an aggressive sea power, mercantile in character, but protected and extended by fighting men with a talent for colonial administration. The secret of Germany's greatness is not found in her great areas of land of low productive power, or in her marine, which until recently was a negligible factor. To handle her commerce and unite her people it was necessary to make good harbors out of poor ones, and to create a system of inland waterways and railroads, reserving an elastic and intelligent national control over all transportation details, that these facilities should serve the people and not the people them; and thus aid in the struggle against the common enemy—the foreign competitor in the markets of the world. To keep her people at home and afford them occupation it was necessary to give them materials to work upon such as are not to be found close at hand, at least not in the quantity and



From a photograph by Underwood & Underwood.

Making Cuckoo Clocks, Freiburg, Black Forest, Germany.



Photograph by Brown Bros.

Toy-Factory Town, Thuringia, Germany.

of the quality desired. Fuel for the furnaces, grain for the mills, wool, cotton, and silk for the looms, wood for the lathes, and even food for the workers, have to be brought from foreign lands, and always will have to be. Yet there is no halt in the progression. The activities of a single human life cover the attainment of Germany's present commanding position.

The adoption of Bismarck's policy in 1879 was notice to the world of the birth of a new industrial, financial, and commercial power, the future of which was glimpsed only by a few at that time, and they were thinkers and statesmen rather than avant-couriers of trade. It was not until after 1884 that the German Empire found itself, and fell into the stride with which all other nations are anxiously endeavoring to keep step. In bald figures, what has happened in the world trading of Germany in thirty years in comparison with the increasing activities of the United States and the United Kingdom is here shown:

	1880		FOREIGN TRADE PER CAPITA
	POPULATION	FOREIGN TRADE	
Germany	46,000,000	\$1,430,000,000	\$ 31
United States	50,000,000	1,600,000,000	32
United Kingdom	35,000,000	3,500,000,000	100
	1910		
Germany	64,000,000	\$3,960,000,000	\$ 62
United States	90,000,000	3,300,000,000	37
United Kingdom	44,000,000	5,550,000,000	126

In other words, with a twenty-five per cent. increase of population, the United Kingdom has increased its foreign commerce twenty-five per cent. per capita; the United States, with an eighty per cent. increase of population, has increased its foreign trade fifteen per cent. per capita; while Germany, with a forty per cent. increase of population, has increased her foreign trade by one hundred per cent. per capita. In all these matters I am dealing solely from the point of view of international trade, not interior development. Yet no country can advance perceptibly in its foreign commerce without reflecting a state of growth within. When we consider that the United States, with a population of twenty-seven to the square mile, owning the vast natural resources and industries of the most productive area of the world, has a per capita wealth of \$1300, and that Germany, with a population of 270 to the square mile, has a per capita wealth of \$800, it can be more readily understood how wealth has been diffused throughout an area which at one time presented many apparently hopeless features as to its future development. Twenty-one per cent. of the area of the United States is cultivated, and forty-two per cent. of the area of Germany. Germany is considerably smaller in size than the State of Texas, yet within her confines are nearly thirty cities of more than 200,000 inhabitants. In America the great individual fortunes of Germany would attract little attention. There is more money de-

posited in savings banks in the United States, but there are more than twice as many depositors in Germany.

I shall not enter into a discussion here of the merits or demerits of the so-called paternalistic laws of Germany; but it is significant that that country has taken the lead in state care and protection of the human working unit, and up to the present time at least the beneficial results cannot be gainsaid. When the German Emperor said he was going to do all he could to prevent the German workman from being squeezed like an orange for the benefit of employers, and then thrown away, he expressed the policy of the German people toward themselves as shown in public opinion and legislation. Theorists may argue pro and con, great arrays of figures can be produced to prove the alleged fallacies of the German fiscal policy, old-age pensions, industrial insurance, state control of public utilities, the danger of banks participating in industrial enterprises, the evils of conscription and a vast standing army, and the alleged futility of agricultural coöperation, but the fact remains that the exploitation of these policies has produced results viewed by the people of all nations with interest and wonder, and in some cases with serious alarm for their own prestige.

The upper and lower crusts of society in Germany are thinner than in any other nation. The military spirit engendered by a great war and a vast stand-

ing army is being tempered by the spirit of industry. The aristocracy now goes into business as often and as eagerly as it formerly went into the army. The people are tolerant rather than enthusiastic over the great military establishment; they endure it willingly, however, as it is believed to be necessary. The great mass of the population is healthy, well-clothed, well-educated, and well-trained, and as contented as it is allowed to average humanity to be. The birth-, death-, and marriage-rates are normal. The family is the social unit, and the parks in the German cities are thronged with healthy children reared on simple lines to the fullness of a life the key-note of which is work and accomplishment. To a nation composed of an amalgamation of originally hostile states has come a homogeneity which knows only a common purpose. Germany has developed within and without until she stands as a compact world force upon land and sea with which other nations must treat seriously and diplomatically in all things international.

Germany is a nation of pure blood; the percentage of foreign-born citizens is negligible, and racial characteristics of mind and body are pronounced and unmistakable. The southern German may speak with contempt of the Berliner, but they are of the same race, and when they venture abroad there is little difference in their make-up to the eye of the foreigner or in his impressions of their character. They are as isolated from the rest of man-

kind as their nation is isolated from other nations in purpose, method, and accomplishment. There is nothing "comfortable" to other peoples in the way the German does business politically or commercially, and in Germany nowadays the terms are synonymous. He takes things hard, and with the best of intentions does them almost rudely. His diplomacy and his commerce are aggressive, jealous, tenacious, and disturbing. One may legitimately wonder sometimes why he does not choose the easier way; but as a people are, so will a nation perform. Their success commands admiration, while in many instances it has aroused long-lived antagonism and bitterness, and left an uncomfortable soreness in its wake on the part of other people. In the Moroccan controversy Germany was the country criticized and feared. That she was well within her rights as an ambitious world power no diplomat seriously questioned. That she got what she wanted, and perhaps more than she expected, is best known in Berlin. So far as the world was concerned, the lime-light was on Morocco, but the mind of the Kaiser and his advisers was concentrated on West Africa, and they are well content with the outcome. To France the concessions in West Africa were a by-product of the treaty; to Germany they were the prize secured by diplomacy for the benefit of German trade and industry—the *raison d'être* for all things done in the Wilhelm-Strasse.

Wars and threats of wars, whether of tariff or

of arms, serve their purpose, and in all recent conflicts Germany has won. The potash controversy between the United States and Germany was largely a game of bluff, and the United States retreated in defeat. In all recent commercial agreements Germany has more than held her own, and while other countries, including the United States, have given all they had to give under existing laws, Germany has always maintained a reserve of possible concessions to be used for trading in the future. Her tariff laws—conventional tariffs, as they are called—allow her to do this, and it may be added that in the conventional tariff Germany has adopted the most practical, scientific, and sane system of regulating import taxes known to the world—a system that in elasticity and productiveness of concessions abroad is far ahead of the maximum and minimum plan, long in use in France and recently adopted by the United States.

One of the most interesting and important features of the German foreign trade is that its largest element is labor. England's exports are larger, but England is a broker and handles the labor of other peoples for a small margin of profit in the handling. The trade of the United States is largely based upon the actual necessities of other peoples, whereas over ninety per cent. of the export trade of Germany is in articles in the value of which German labor plays the biggest part. That is why, as before noted, her trade, while profitable, is artificial and

more subject to disturbances from extraneous influences.

Of all the great trading nations of the world, England, Germany, France, and the United States, not one is in a position at the present time to incur the risk of any violent disturbance in export channels. For one reason or another,—some reasons being common to all,—the industrial and commercial conditions are critical in all four countries, and to hamper exports or imports might give such a final push, however slight, as would precipitate general disaster. According to English critics, the greatest weakness in the German structure is the participation of German banks in industrial enterprises, the theory being that the money market is thereby rendered subject to industrial activity or depression. This may be true in that the German eggs are all placed in one basket, but there is only one basket for German eggs, and that is the opportunity for foreign trade. A Germany with prostrate foreign trade would be a land of gloom, destitution, serious disturbances, and riot of all descriptions. She is not self-contained, and never will be. Bismarck, in his vision of the future of the empire, saw this as with the prophet's eye. The German Emperor of to-day, with his dynamic energy, his restlessness, and his keen ambition for his country, realizes it with all the force of actuality. His advisers are men who are leaders in Germany's battle for an increasing share of the world's trade, and he

is with them heart and mind. I do not intend to criticize or defend any particular system of national finance, but the result in Germany of bank investments in industrial enterprises is that everything is German-owned and German-managed, and that every interest and effort is concentrated upon German success.

When industrial depression rules in England, capital sulks, is apathetic, and retreats to its hiding-places, while industry starves. The complaint of English manufacturers is that English money goes abroad for investment when it is needed at home. The capitalist, the money-lender, is safer under the English system; but what of English industry, labor, and life? In Germany the Bourse may quake in times of industrial panic, but it is sympathetic as to the ills of its co-worker, industry, and one must help the other to return to normal conditions, and this they do. One can imagine that without due regulation and with a people of less conservative mind than the Germans the system would be impossible; and it is doubtful whether it would be at all safe in a country like the United States in the hands of some of our skilled financial jugglers who have shown such marked ability in evading all regulation in their schemes of flotation. The German people can afford to let foreign critics quarrel among themselves as to the wisdom of the German system of internal finance as they contemplate their self-made nation, with all its parts interdependent for well-



From a photograph, copyright, by Underwood & Underwood.

Vineyards, Ehrenfeld, Germany.

being. Such a nation becomes as a unit in the great war for the trade of the world, presenting a solid front to the attack, and resting upon a loyal base. There is no disloyalty in Germany to German interests. The money-supply is for home industry, and yet enough has been found to spare for an investment of \$8,000,000,000 in foreign lands, or nearly half as much as the foreign investment of England, the great creditor nation of the world. It will also be found that from every million Germany has sent abroad for investment, the home country draws not only a cash income, but a trade and an influence far in excess of that derived by other peoples from their foreign ventures. As a rule, the purpose of a German foreign investment is to help home enterprise, and it generally does.

Railroads and canals are operated to favor German travel and German goods. Transportation rates are adjusted to enable German produce to meet foreign competition. To travel or to consign from Germany by other than German routes is not facilitated, as many a traveler and shipper can testify. The German post-office department reflects the friendly attitude of the German Government and people toward the United States, and was quite willing to carry a letter to America for two cents, always provided this letter was carried on a German ship. Otherwise the five-cent rate must prevail. This solidarity of interest may have its disadvantages in theory and in practice, but the figures and

the treaties of recent years show that it is the short cut to the aggrandizement of German foreign trade and the expansion of German influence in world politics.

So far the growth of German industry has prevented no other country, with the possible exception of France, from making a satisfactory progress all her own. The absorptive power of mankind in general for the products of the earth and of handiwork has increased enormously with each passing decade. Germany has secured for herself each year an increasing share of this new business, and this in itself is sufficient to account for her prosperity. In the end, however, each nation will have to struggle with the others to even a fiercer degree than now to maintain her home industries through foreign trade, for the consuming power will not keep pace with industrial and commercial ambition and effort.

Then will come the strain upon the foundation of things. The effect of this strain is already apparent in England, financially the strongest and economically the weakest in this battle of the giants. France has already dropped out of the race, hopelessly distanced. The United States is smilingly confident as she glances proudly across her thousands of miles of productive territory, as might a general expecting siege who rests complacent in the knowledge of well-filled stores and a self-contained garrison. To the east the Russian bear stirs uneasily in his quarters, dimly aware of the tremen-

dous part he is to play in the economic future of the world. And what in conclusion shall we say of Germany? Surrounded by her enemies—her frontier guarded by nearly a million men under arms; her navy in constant fighting trim; her Emperor and his counselors scanning the far horizon for new openings for German trade and influence; her travelers touring the world for new customers and for old customers of others made into new for them; every man, woman, and child, every governmental, financial, industrial, and commercial power at home aiding and abetting those who stand on the frontier and beyond—with Germany lies the advantage of the moment in the struggle for the trade of the world.

IV

THE TRADE OF FRANCE

FRENCH THRIFT ACCOUNTABLE FOR SOME
LOSS OF PRESTIGE.

THE great German liner was slowly entering the harbor at Cherbourg. My friend, a Frenchman, stood by the rail gazing at the land, and I had a strong suspicion that there were tears in his eyes as he exclaimed with joy at the sight of the French flag floating over the custom-house ashore. He had been away only four months, but it was a real home-coming, as it is to every Frenchman. They know only one home, these people, and that is their native land. The prospect was not especially attractive: a group of sand-dunes, a small town lying white and glaring in the hot sun, a few idlers loafing on the pier; but nevertheless my Gallic friend's tears at last found their way out and rolled unheeded down his cheeks. He was not ashamed of them, and they meant nothing unmanly, for I knew he was of the Legion of Honor, to say nothing of being the possessor of several medals bestowed for gallantry in action in Algiers.

We went down the gang-plank to the deck of the

tender which had come alongside. A hasty glance over the pile of luggage revealed to my friend the disconcerting fact that one of his bags had been left on the steamer—a small bag, but important, as it contained his furlough and other papers. He rushed up the gangway to return to the deck of the big ship, but a sturdy German officer met him half-way and told him he must return to the tender as the ship was leaving at once. In broken English, spoken with almost unintelligible rapidity, and accompanied by tremendous gesticulation, the disappearance of the bag was announced. The officer was stolid, cold, and indifferent. He shrugged his shoulders, said they would look later, and that the bag, if found, would be sent on from Bremen. The Frenchman quivered with rage, indignation, and excitement. His tears, his home-coming, and everything else were forgotten in this hideous outrage that was being perpetrated upon him. Gently but firmly he was told again that he must retreat at once to the tender. Grasping the rail of the gangway where he stood, he shouted defiance to the German and, striking a dramatic attitude, announced that there he stood and would stand until the bag was found. The gangway could not be moved without danger to his person, and the situation looked so serious that people became hysterical with laughter and excitement. The German officer again shrugged his shoulders, returned to the deck, and issued a sharply spoken order to a dozen or more stewards

standing about, who at once disappeared on the run into the ship. A few moments of tense silence followed, during which my friend stood at attention, his eyes flashing defiance, his whole attitude that of a man ready and expecting to die in a great cause. A steward came out of the cabin and ran down the deck with a small black bag in his hand. He gave it to the officer, who passed it on to my friend. The face of the latter broke into smiles, and his whole body relaxed. Taking off his hat, he gave the whole ship's company assembled a sweeping bow, blew a kiss to the German officer, and joined me on the deck of the tender, saying, with a voice full of an emotion renewed where it had been left off a short time before, "I shall kiss the first French soldier I meet."

And, what is more, he did, and neither was there any embarrassment in it, for it seemed quite the correct and proper thing to happen to a French soldier should he perchance meet a fellow-countryman and comrade just landing on the shores of "la belle France."

It is the affair of the moment which engrosses the Gallic mind, the thing he is at work upon, the emotion experienced. Thus it is that his immediate surroundings come first in his sense of proportion. Visiting among the people of southern France remote from cosmopolitan influence, who had been born where they lived, as had their fathers and mothers before them, I found that the first inter-

est to all was the family income, as it might be affected by general financial depression, bad crops, an advantageous marriage of son or daughter, etc. This interest covers such a vast proportion of the activities of life that there is little left for other things. Governmental affairs are not taken seriously; in fact, nothing else seems to cut deep into life as they live it. A heated political discussion over the dinner-table ends suddenly, and is quite forgotten, if some local or family affair presents itself for consideration, while an occasional visit to Paris is the extent of the family travel. They admit that other nationalities have good qualities, but express sincere commiseration for the comparative seriousness of mind and sternness of manner which in their thoughts are associated with the English and Teutonic character. They are sorry for us that we take life so seriously, and yet, if they but knew it, no one in the world takes more seriously the affairs of the individual than do these same French people. The thrift of which they give evidence in every action of their daily lives is only an expression of their seriousness where they themselves are immediately concerned.

It is impossible for any one who knows France, and has felt the charm of the country and its people,—and who has not?—to approach French problems in a severely critical spirit. The beautiful cities, the broad stretches of wonderful Corot landscape threaded by marvelous roads, form the playground

of travelers from other lands. No matter what is sought, there it can be found. The gay life of the streets, the opportunity for the spending of money for beautiful things, the charm of art and music, are offered to the guest of Paris. Those who seek the quiet and freedom of plain or forest have not far to go, and a thousand places, each seeming more attractive than the other, make their appeal for a longer stay than the visitor can afford. The greatness of France is of so recent a date that one forgets it is not more distant. The whole country gives the impression of a quiet backwater where one can put in for rest and enjoyment, and without discomfort watch the turgid stream of life in other lands as it rushes by. No other country suggests this feeling in such a compelling way, yet in these pushing times of modern material progress it is all counted as against her success in the international struggle for the trade of the world, that prize which costs annually more blood and money than did the final political dismemberment of Europe.

The form taken by money in each country is a curiously accurate indication of the character and tastes of the inhabitants thereof. The stately English bank-note of splendid workmanship and uncompromising severity; the German note, with its rude proportions and florid style of finish; the American certificate of most convenient size, perfect workmanship, crispness of design, and with the glint of the metal it stands for; the slovenly Italian paper



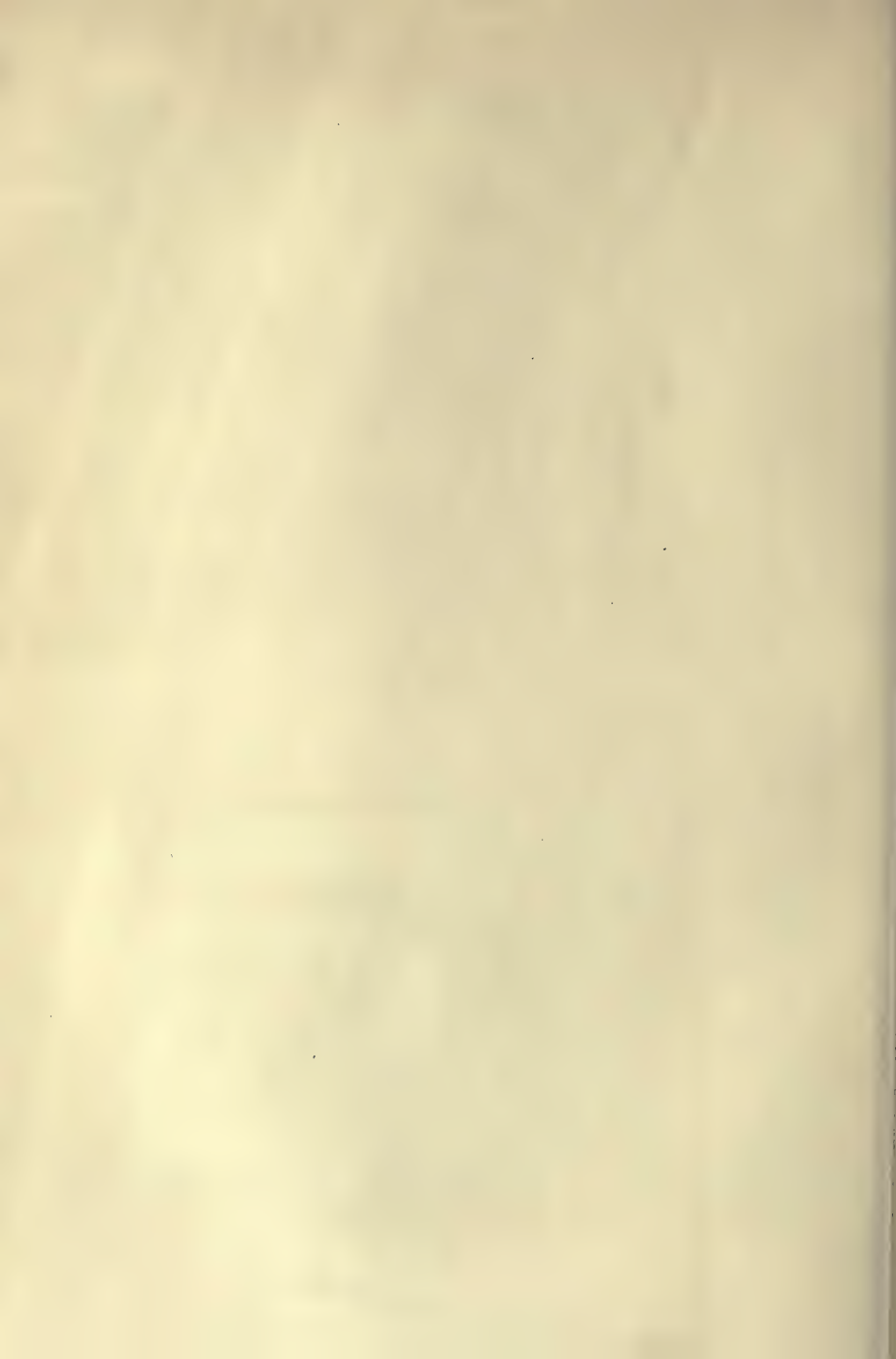
Photograph by Brown Bros.

Harbor and Docks, Havre, France.



Photograph by Brown Bros.

Cherbourg, France—A General View.



money, dirty, carelessly cut, and to be carefully inspected before it is accepted as genuine; and then the beads and shells of the savage. There is no better illustration of this reflective character than the money of France. Carefully adjusted in size to fit the wallet carried by every careful Frenchman,—and all Frenchmen are careful of money,—fine of texture, artistic in design, and light and delicate in coloring, it possesses a fineness beside which the money of other nations looks cold and brutal. In the same way the French show fineness and subtlety in their manner of living, their loves and hates, their crimes, their politics, their fighting, and even in their trade and manufacturing. They had no real competitors in this. If it could be said that the money also revealed the strength as well as the delicacy of the Damascus blade, and this were true, all would be well with that nation which holds the center of the map of Europe. But here the simile ends, for while the temper is good and the edge is keen, in international affairs it fails to strike the convincing blow.

An ambassador of one of the great powers who recently came back to Paris after an absence of years, found that the most interesting change which had taken place during his absence was in the spirit of French diplomacy. He said:

“When I was here before, it was almost apologetic; now it is aggressive. In my earlier days here French diplomats expended their energies in politeness and in endeavoring to meet the wishes of others.

To-day France has a diplomacy all her own; she has rights, is aware of them and stands by them; in fact, one might almost say that a 'cocky' attitude prevails in diplomatic circles, which seems strange to those recalling the days of French diplomatic isolation."

"What is the answer?" I asked.

"England," the diplomat replied. "It's all there. The Anglo-Franco Alliance has put new heart into French diplomacy, and aware of England at her back, she is even inclined at times to the vulgar and not always safe occupation of making faces at her old enemies. It is a good thing for Europe, this renaissance of French diplomatic courage, and thus for the world. There is less chance of war because of a better political balance among the powers; but it also tells the story of a France that has gained little in strength while those about her have increased their stature. The time was not so long ago when France needed no allies to assist in preserving her wonderful heritage of power."

As the diplomat concluded his remarks, my memory went back to what the late John Hay had said when asked as to the position of France in the dual alliance. His reply, given instantly, was, "That of a kept woman, unpaid," and I also thought that if that able statesman were alive to-day, he would amend his characterization and admit she was now collecting her arrears of debt from her partner to even such an extent that Lord Rosebery said not long ago in a spirit of bitterness that France was

apparently dictating the foreign policy of England at a cost to the latter of the friendship of other and stronger nations.

A new strength has come to France politically through her close alliance with England, but there is no such source to draw upon to put more life and vigor into her industries and commerce. Political allies are useful in chancelleries, but are often a hindrance rather than a gain in material things. This is because the friendship of the powerful is paid for in concessions which are sometimes a form of tribute. There always seemed to me to be a certain element of pathos in this Anglo-Franco Alliance. The two peoples are as different as races can be, and at heart are entirely unsympathetic. A French cavalry officer was recently descanting to me with great enthusiasm upon the beauties of the alliance between the two countries. He spoke with all the energy and emotional extravagance of language of the Latin, and dwelt upon its glories until I was almost convinced I had at last met a Frenchman who really loved the English. When he had finished his rhapsody he became very thoughtful for a few moments, and then turning to me with most charming naïveté, he remarked thoughtfully and regretfully, "I wish the English were not such a rude people."

In all the activities of his life the Frenchmen gives one the same impression—that of lightness, grace, and politeness, to which may be added that of charm, if you can put out of your mind the possible

lack of sincerity, the fear that he is volatile, and, extending that feeling to his occupation, the impression that his work and its results do not have that serious place in the economics of mankind which means permanent and steady progress. The Frenchman takes nothing seriously all the time but his income. That is his all absorbing passion. Once gratified,—and his ambitions are generally modest,—he will give his attention to government, to pleasure, to life in all its other phases. The thrift of the French is proverbial. Out of 379,418 estates from which the state collected death dues in 1910, about ninety-six per cent. were less than \$10,000 each, and the average value of them all was \$3000. The statement is made with considerable truth that no one in France spends more than four fifths of his or her income. The saving mania of the average Frenchman is as notable as is the spending mania of the average American. The former has a purpose, an end in view: he intends to accumulate either that he may not need to labor or that his children may begin where he left off. It may be counted as a heresy to say it, but it is nevertheless true that from this saving mania have come some of the greatest evils which afflict France to-day, and it is one of the most cogent reasons for her stationary population and her comparatively snail-like pace in the march of general industrial and commercial progress of the great nations. France at one time was the greatest of all the Western powers; to-day she



Photograph by Brown Bros.

The Seine River as It Flows through Paris.



Photograph by Brown Bros.

Port of Bordeaux, France.

follows where others lead. Still a great and wonderful people, possessing a force, a resisting power, and an influence upon the whole world which must not be underestimated, her proud position as first was lost long ago. More recently her people have sacrificed their opportunity for industrial leadership upon the national altar of so-called thrift and financial safety, which was erected during a reaction from the extravagance of a century ago. The socialist may suggest that it is an ideal condition for a people, each with enough, none with too much. Carried out to a completed evolution, it would mean, however, that France would become a vast community of small money-lenders, greedy for increasing interest and fearful of increasing outgo. This is what has happened to France to a degree only limited by the inability or lack of desire on the part of all the people to succeed in achieving the ambition of the majority. The desire to save and to live upon the interest of savings is not a new development. It has existed for many generations. Many decades ago it sapped to a certain extent the national vitality of France. One of its advantages to Germany was the prompt payment of the five billions of indemnity after the war, but none who yielded of that tribute lost a farthing. The nation carries the burden to this day to the extent of a thirty-three billion franc national debt, the most appalling responsibility of its kind the world has ever seen, and with little or no prospect of its being

lessened. The payment of this indemnity was an example of what France could do—an example which, owing to its dramatic features, attracted the attention of the world. Since then the French people have done almost equally startling things in finance of which little is heard.

The French nation is the great international creditor. No really great loan here, there, or elsewhere may be counted a success until it has been favorably quoted on the Paris bourse. New York may agree to take ten millions of this or that flotation, and millions more may be subscribed for elsewhere, but in the long run these securities are caught in the steady tide that flows toward the vaults of the Paris banks, and there finds a resting-place. One bank alone in that city has half a million customers, and if it wills, it can absorb an issue of millions, distribute the securities among its clients, and count the affair as one of an ordinary day's work. In its vaults are thousands of boxes belonging to its thousands of clients. In one box may rest a bond for 100 francs, while the next one may be bursting with securities representing hundreds of thousands. Here you may read the legends over the different sections, and note the internationalism of the French investor; for a Chinese loan may rest side by side with one to the Pennsylvania Railroad. It is all to the good, so far as the French client is concerned, first, if it is safe, secondly, if it yields satisfactorily of that "income" upon which his heart is set and

of which he dreams. Fifty-eight millionaires died in France in the last twelve months, each one representing "thrift" carried to the *n*th power.

The educational system of France is a great machine preparing all the children by the same method and in the same manner to such fitness as may enable them to pass a civil-service examination and secure a government salary, small though it may be, to add to the individual income. The son must have a start in life to enable him to make greater progress toward leisure than his father. The daughter must have a *dot* that she may marry well and swell the fortunes of the family to be. All this sounds admirable, but it is the province of sober, unprejudiced analysis to ask whither it all leads. The France of to-day, the character of her people, and the national problems with which they are faced, are unmistakable indications.

One of the great evils to the state from the conventional point of view is that the population of France is virtually at a standstill so far as increase is concerned. There are many reasons for this limitation in the size of families, but not the least important is the thrift of the people. To have more children means more expenditure, and also the division of the heritage among more people. One child may be assured a competency; two might find a shortage for both when the estate was divided. The *mariage de convenance* is merely an expression of the thrift idea, and it may have something to do with

the fact that there are about three million men and women in France over the age of thirty who are unmarried. Those who deal with French business men know that in no country is a bargain harder driven, or a slight advantage one way or the other more seriously considered. It can easily be understood that while the increased cost of living has caused the peoples of many nations to growl and grumble, it has instigated the people of France to actual riot and wars of reprisal upon the more or less innocent vendors of the necessities of life. Living in the same manner in France that the American does at home means that it costs even more in France to-day than it does in America. It is only through the marvelously ingenious economies of the French housekeeper that five francs is made to go further than a dollar. The ability to convert a tiny morsel of meat into a nondescript entrée is born of a thrift not only ingenious, but artistic as well.

In this national trait of thrift is found one of the great reasons for the lack of vigor, strength, daring, and purpose in French industry. The French are not travelers or emigrants. As a rule they are failures as colonists, notwithstanding the fact that the French colonies and protectorates have an area twenty times that of the mother country, and contain a population twenty million in excess of the population of France itself. A hundred years ago Frenchmen who emigrated had their property confiscated, and the descendants of people who made

such laws are well content to stay at home. Travel means to them an expenditure in excess of the returns. The emigrant as a rule leaves nothing behind him and, omitting the poorest class, virtually every Frenchman is tied to his native land by his investment. Be it large or small, as the case may be, it is the core of things for him, and with it he prefers to stay.

Socialism is strong in France because of the protest of those who have not against those who have, and because of the intellectuals in revolt against the established order of thrift and its narrowing effect upon national and individual life. The bad years of recent times, when the wine crop has been a failure and other crops have been scanty, have been direful years for the French people. At best the living margin is small, the saving margin still smaller, and with this wiped out, the people have grown bitter, discontented, and riotous. There are railway strikes in all lands, but even the great strike in England in 1911 developed no such dangerous social symptoms as were plainly manifest in the railway strikes in France the preceding year, though as strikes they did not appear so serious. Train wrecks through *sabotage* were an almost daily occurrence, showing a temper among the people not easy to account for and not favorable to their character. I once asked a prominent Englishman whether the monarchical idea grew stronger or weaker in England as the years went by. He re-

plied without hesitation to the effect that he believed it was stronger because of the example of the failure of a republican form of government that the English people had constantly before them just across the channel. His opinion was more or less prejudiced, but it must be admitted that the events of the last two years in France show that the French people have not yet wholly perfected themselves in the science of self-government.

To build new works, enlarge old ones, adopt new methods, and enter the struggle for the trade of the world, require not only spirit, ambition, intelligence, skill, and industry, all of which the French people have in abundance, but they also require daring in capital adventure and a willingness to stake all that the returns may possibly be larger. Along lines with which he is familiar, branches of trade in which he excels and leads the world, the Frenchman not only holds his own, but as the demands of the nations increase in luxuriousness of taste and prodigality of expenditure, his trade enlarges. By that natural growth and that alone is measured the comparatively slow expansion of French import and export trade and commerce. The foreign trade of France, while lacking in features of phenomenal growth, is most illuminating in its character. Over two thirds of the imports are raw materials, and about sixty-three per cent. are manufactured goods. The character of these manufactured exports are

still more significant—cotton cloth, silks, feathers, clothing, and lingerie, laces, artificial flowers, jewelry, perfumery, precious stones, novelties, leather goods, art works, and wines. These form a large proportion of the \$1,100,000,000 worth of goods sent abroad by the French people in 1910. An addition of millions must be made to these figures to cover the value of goods carried away by travelers who look upon Paris as the Mecca of the shopping world. The slow growth of the foreign trade of France as compared with the well-known progress made by England, Germany, and the United States, and the fluctuating character of the French trade, are shown in the following table:

	IMPORTS	EXPORTS
1880	\$1,000,000,000	\$ 693,000,000
1890	867,000,000	750,000,000
1900	843,000,000	780,000,000
1910	1,304,000,000	1,064,000,000

In 1899, France sent to the United States \$48,000,000 worth of goods, and in 1910 she sent \$92,000,000. In 1899 France bought from the United States to the extent of \$80,000,000 and in 1910 she bought \$140,000,000. That her growth in foreign trade is due largely to the increasing power of other nations to buy luxuries is shown in the Franco-American figures, for they account for a large percentage of the growth, and of course it is a well-understood fact that America and the American people have

made the most amazing strides of all in their power to absorb the products of the earth and of man's handiwork.

If it were not for France, the troubles of the American customs officers would be decreased by half, for it is the dainty workmanship of that country which is most easily smuggled. The beautiful evening hat which Madam wears to go ashore in New York at eight o'clock in the morning is always from Paris. A bit of wire, some cloth, a few feathers or flowers, which the Paris milliner sells for 100 francs, making nearly ninety per cent. profit for her labor, and which would "cost at least \$50 anywhere on Fifth Avenue," is a temptation few resist, and any customs inspector with a sense of humor must have many enjoyable moments to compensate for the more serious and disagreeable part of the day's work.

To France the United States sends raw cotton, hides, skins, tobacco, oils, metals, and machinery. A list of important articles it is true, but it yields no artistic suggestion. They are necessities, and give a profit to those who sell; but what a difference in character, and how little they contribute to American labor, as compared with the flimsier but beautiful things sent to us in return by these people so artistic in their designing and so dexterous with their hands! In no country is the skilled workman so clever, so original, so fine in his finishing. The first fine automobiles were of French workmanship,



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Filling and Corking Champagne Bottles, Rheims.



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Champagne in the Refining Racks, Rheims.

each one different from the others, each a triumph of mechanics and art, and France led the world in their production. When the market demanded larger quantities, lower prices, and standardization, the French failed to keep pace with England, Germany, or the United States, and dropped out of the race as a serious competitor abroad. And this is the history of a hundred industries of vast importance in the trade of the world. New York and London jewelers send precious stones to Paris to be set. Men and materials may be imported, but the results are not quite the same. There must be something in the French atmosphere or environment which tends to charm, grace, and originality.

One of the most pathetic sights I ever witnessed was a week-end tourist party of Parisian shopkeepers in London. They left Paris Saturday, planned to spend their Sunday inspecting the window displays of the smart London establishments on Regent, Bond, and other streets. They rose from their beds Sunday morning to a cold, gray day. They wandered through a wilderness of streets lined with shops, it is true, but with windows tightly shuttered, so that nothing within could be seen. No drinks were to be had, no theaters were open; there was nowhere to go, and nothing to do. The high spirit of adventure with which the party left Paris had all disappeared by Sunday night, and they sat about their hotel, mournfully regretting the boulevards, the cafés, and the festive Sunday of their native

city. Monday morning they gladly returned to Paris wiser in some ways, but as ignorant as when they left as to the methods of the London window-dresser.

While the character of French exports makes them particularly profitable, it has the drawback of being subject to financial depression abroad. It might be added also, to change in the fashions; for the Lyons silk industry suffered a very heavy decline—nearly twenty per cent.—through the introduction of the narrow skirt for women. This might, however, be looked upon as retribution, for it was the French dressmakers who decreed its appearance. French exports are a measure of prosperity elsewhere. When times are bad in America, the sale of luxuries decreases; hence there is less demand upon France, whose people supply a large part of them. Works of art, jewelry, laces, silks, and expensive wines, which form a considerable portion of French exports, are not bought by a people concerned as to finance or in the doldrums of a dull stock market. It is not alone politeness or international amity which prompts the French people to wish us strength in our stride. England is the best customer France has, and in turn France buys more from England than elsewhere, although much of the trade credited to England is material en route to or from other lands. It is only the direct trade between countries for which figures are available. Next in importance to France as a customer comes Belgium, then Ger-

many, while the United States is fourth on the list. In supplying France with her materials for manufactures and food supplies, the United States is second only to England.

The most notable, in fact the only notable, success modern France has achieved in administering the affairs of other peoples is in northern Africa. There she has done well for herself, as well as for the natives, and her trade both ways with Algeria is nearly 150 millions annually. If the administration of Morocco is as successful, the returns will be great, now that she has to all intents a monopoly there, and the indications are that in the years to come Morocco will prove to be the most worth while of all northern Africa. The land is yet almost unexplored, but within a few years its fertile valleys will be opened to the adventurous pioneer trader and settler, and those who have been privileged with a glance into the possibilities assert that the results of a peaceful occupation and development of that country will astonish the world.

At the time of the war talk over the Moroccan controversy I was sitting one day in the garden at Versailles. Near me stood a park policeman with his breast well covered with medals. He was a veteran of the Franco-Prussian War and an honor man in the Algerian service.

"What will happen to France if you have another war with Germany?" I asked him.

"Oh, it will be different this time," the old man

replied as he drew himself up proudly; "it will be another story to tell."

The spirit is there unbroken, quick flaming in young and old, but it is the call to arms, the thrill of battle, the defiance of the foe, that the Frenchman has in mind when he speaks of war. He fails to see the slow-moving transport-wagons, the hospitals, the food supplies; to question the honesty of his ammunition or the training and knowledge of those in command. These things are too material, too methodical, in other words, too banal, to be included in any test of patriotism or measure of national strength. There is little chance that France will ever be at war again with any great power, so the test will probably never come. In the meantime we can admire the spirit, and hope that it will never be called upon to make the sacrifice which would be willingly, even joyfully, rendered.

In the effort to stimulate her foreign commerce and enterprise, France has tried many artifices, including various forms of subsidy, direct and indirect. Goods carried to France in French ships have a considerable advantage at the custom-houses, and yet three fifths of French overseas commerce is carried in foreign bottoms. To extend steamship lines under the flag, great subsidies have been paid, but the lines do not prosper, in one case boats being run merely for the purpose of securing the grant. Even with government aid the French cable company maintains itself with difficulty against its

foreign rivals. There is no encouragement for subsidy advocates in the experience of the French people.

On an area of 200,000 square miles, one half of which is under cultivation, France supports a population of about 39,000,000, which scarcely varies from year to year. For some time past agricultural conditions have been most disastrous. Bad seasons, floods, and crop failures have reduced the people to despair. One half of the population finds its occupation in agriculture, and one half of the people of the whole country are bread-winners. Sixty-four out of every one hundred men are wage-workers, and thirty-three out of every one hundred women. The unhappiness which can come to a people so dependent upon industry when dull times prevail is intensified in this case by the importance attached to the savings which must be laid aside each year, if life is to be counted a success. To own a government bond with its lottery attachment is the ambition of all, for the bond not only yields an income, but there is always the hope and a chance of a prize, something that has not been worked for, a sudden accession of wealth. Other securities naturally yield better returns, but with those who have more imagination than wealth they are not so popular.

Opportunities for foreign trade expansion in France are not great. The outside world will continue to supply raw materials and food-stuffs as the

need prevails, and as the cost of production decreases and the strength of trade combinations increases in other lands the French manufacturers of machinery and staples may be more and more crowded in their home market. A great industrial leader of England once said to me: "If America can do now what she does with her goods in our own markets when times are good in America and prices high, Heaven help us when the American manufacturer seeks an outlet for a surplus created by depression and an overstocked market at home! We shall be ruined." It is in lines wherein she is not supreme that France is vulnerable in competition. It is true there is the tariff to protect her, a bulwark not yet possessed by England, but, after all, a tariff can keep out only to the point where the makers thereof will consent or can profit thereby. During the recent period when France imposed her maximum tariff rates against American goods, and while negotiations were in progress for a more friendly status, the French rested secure in the belief that America must have the wines of Champagne and would come to terms. With a happy disregard of facts it was argued that because of this France held the upper hand. When it was realized that Germany sent more wine to the United States than did France, and that even France herself was a larger buyer than seller of wine, the French government officials found themselves at odds with their position of independence, and retreated there-

from. The truth of the matter is that last year France imported over eight million hectoliters of wine, and exported a little over two million. The French people are wine-drinkers, and they draw upon Germany, Switzerland, Spain, and Italy for enormous quantities to supply the home deficiency. These importations will be even larger during the next few years, for the wine industry has fallen upon evil days, with bad seasons and labor troubles. The controversy as to the use of the word champagne which raged so violently in 1909 had no political or social significance. It was merely a question of confining or extending the area from which wine could be sold to the trade as champagne. The dispute gave rise to rioting and loss of property, but beyond this it gave no threat to the social structure.

The trade-union idea does not appear to have taken deep root in French soil. The growth in membership has been slow, and the total to-day is much smaller in proportion to population than in the United States, England or Germany. Strikes are frequent, and a larger number of workmen are generally affected by the dispute than elsewhere. It can also be noted that a smaller percentage of these disputes are settled in favor of the workers than in any other country, while the percentage compromised is double that of Germany or the United States. They are a race by themselves, these French people, and they do things differently

from the Teuton or the Anglo-Saxon. Their minds work in different lines, and to the end of individual action rather than concerted effort. Waves of emotion sweep the land, but in the material affairs that underlie the actual problem of living they are as unmoved as the most stolid race.

To the French the world owes much of the imaginative science which leads to brilliant discoveries and bold adventure in little-known fields of research, and the domain of psychics is a particularly fascinating theme for French intellect. To estimate correctly the strength and virility of the French nation it is necessary to dismiss from the mind absolutely the measures of value current in America and England. Unless this is done, the French social structure looms large as a symptom of decay, and the necessary sense of proportion and perspective is hopelessly lost. They have evolved a manner of life, a standard of conventional morals, and a measure of values unknown and strange to the Anglo-Saxon mind; it might almost be said, in some of their aspects, abhorrent. These may not make for the greatness of the nation in the councils of the powers or even in the markets of the world, but they do not destroy the national integrity of purpose which underlies the life of the France of to-day. The country lies in the heart of the world, it might be said, at the mercy of ally or enemy, but supplying to all a lightness, a vividness of life, and a serenity of self-confidence strangely in contrast to



Photograph by Brown Bros.

The Jetty, Boulogne, France.



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The Busy Seaport at Boulogne.

her international accomplishment in the material things. Toward this glow, be it that of sunset or of dawn, all people turn with relief as to a charming landscape, from the more somber and sordid picture of the brutal industrial struggle which rages to the north, the west, and across the Atlantic.

V

BELGIUM, THE BALANCE-WHEEL OF TRADE

SKILL AND EFFICIENCY AS LEADING FACTORS IN THE
COMMERCE OF THE LOW COUNTRIES.

SOME nine or ten years ago I had the honor of being a member of an American delegation appointed to attend an international conference of commerce held at Ostend. It may be as well to explain that, in the words of the late John Hay, then Secretary of State, the appointment carried with it "a full measure of honor, but no pay."

The American delegation arrived at Ostend with solemn mien and a tremendous sense of their responsibilities on such an important occasion. After installing ourselves at a fairly good hotel at prices exceeding those of the best elsewhere, we proceeded in state attire and with proper dignity to present our credentials. Faithfully did we attend the first day's session, during which we discovered that the entire conference threatened to resolve itself into a heated discussion between the Belgian and the French delegates over the tariff relations of their respective countries. These were and always will be a sore point with the Belgians because of the

low tariff prevailing in their country and the higher tariff of France. Belgium is flooded with French goods entered under a low tax, while Belgian goods pay heavily for the privilege of sale in France.

After carefully determining that the interests of the United States were not in jeopardy, and consistently refusing to commit ourselves officially as to the merits of the Franco-Belgian controversy, which we were repeatedly asked to do, the American delegates began, as a safer and less embarrassing occupation, a systematic investigation into the resources of Ostend and a painstaking examination as to the reasons for its international fame. We noted the rather pathetic figure of old King Leopold, easily identified by his famous square-cut beard, as he paced the *digue*, attracting little or no attention except possibly from some old soldier, who stood up and saluted as the king passed. Leopold returned the salute in perfunctory manner without losing a shade of the grimness and bitterness in his face.

This was my first impression of Belgium, and I have no doubt that my fellow-delegates, some of whom have since risen to high places in politics or finance, if they have not again visited Belgium, still retain these memories, and think of the country as Ostend rather than as Belgium. Since those days of the international conference it has been my fortune, however, to go again and again to that country, and to traverse its narrow confines from

the North Sea to the Meuse, and from the Oise to the Scheldt, and with each succeeding visit Ostend has seemed more and more remote from the real life of Belgium, until it almost vanishes in the true perspective.

Taking the train for Brussels at the Ostend station, one glimpses even then the real meaning of the country and the purpose of its people. Here begin the long trains of freight-cars carrying coal, raw material, and the heavier products of manufacture, and by the time Brussels is reached, Ostend and its busy idling are forgotten, and serious industry takes full possession of the mind. The overpowering effect of this force is felt by every traveler within the gates. Even though the journey be only the few hours needed to cross this geographically diminutive country, it will impress itself almost to the exclusion of everything else. You may struggle with the great achievements of the Belgians in art, science, literature, and war, with an appreciation of the wonderful history of the people; you may pace the scenes of battles counted as among those most momentous in the history of Europe, and yet you cannot escape the sense of steady activity and material productivity. The smoke of chimneys can be seen from Waterloo, and there is no escape elsewhere. Your attention may be called to this or that book, to a beautiful picture, to a stately and sumptuous building, to some great discovery in science, all of Bel-

gian origin, and for the moment you may be impressed; but as you regain the street, industry and commerce resume their sway as the all-pervading, dominating influence in this intensified area.

Belgium is virtually the smallest independent country in the world in point of size, and yet stands eighth in a list of the wealth of nations, and sixth in the total of her export and import trade. Except for her recently declared protectorate of a portion of the Congo, Belgium, unlike Holland, her rival in smallness of area and greatness of commerce, is not a colonial power. Her people have been content to stay at home and develop to the greatest possible extent their productive and advantageously placed lands. With virtually no navy, her people have spread abroad their commerce under the protection of foreign war-vessels. With a standing army of 40,000 men, kept to its mark by enforced military service, and with a chain of modern fortifications compassing her about, still she would be at the mercy of any one of her great neighbors but for the jealousy of the powers, which maintains the integrity of the political map of Europe.

Shortly after the making of the recent Moroccan treaty between Germany and France, the German emperor, in speaking to some Belgians, is reported to have told them that at no time during the conferences was there any danger of war between Germany and France. The relief of the Belgians was

most apparent, for in case of such a war it would become almost a strategic necessity for Germany to use the countries of Belgium and Holland as her western bulwark. It is said to be a part of the German policy to encourage the strengthening of the Holland and Belgian fortifications, and it is not difficult to understand the reason, though in all probability the military history of western Europe for the near and possibly the far future will be one of expenditure and preparation rather than of armed conflict. Belgians at least hope so, for a great European war would have the same effect upon their country that the feet of a careless man would have upon a large ant-hill. The disorganization and consequent loss and distress would be incalculable to the ants.

The great Napoleon was the first powerful influence to realize the possibilities of Antwerp as an *entrepôt* to western Europe, and it was due to his encouragement that the first real improvements were made in the harbor in the way of deepening the channels and providing dock facilities. For a hundred or more years this improvement has continued under various governments, until Antwerp has become one of the four or five greatest ports in the world. Her rival is Hamburg, and because of the national resources of home traffic and the intelligent coöperation of the people, the German port has now passed the Belgian in the race for supremacy. Hamburg, Bremen, Antwerp, and Havre—it

is through these harbors that the bulk of the traffic of western Europe flows in and out, and owing to the scarcity of good harbors on the French coast, and the facilitating of unimpeded foreign traffic across Belgian territory, the port of Antwerp draws the business of France and southern Europe by its position and great advantages. These advantages are so great that even the Germans, with all their businesslike determination to make traffic for German ports and German ships, and all their wealth and all the volume of their home commerce, have found it no easy task to put Hamburg in the first place. As it is, Antwerp has about forty miles of quays, or more than New York, while Hamburg has barely twenty-five per cent. of such facilities.

The foundation of the prosperity of Belgium lies in her stores of coal and iron, the materials for making good glass, and the peculiar adaptability of her soil for the growing of fibers for cloth-making. Over \$10,000,000 worth of stripped flax goes annually from Belgium to the mills of Scotland and England alone. To these factors must be added the unequaled facilities for transportation to and from all parts of the world, and the sober, industrious character of her people. They are workers, and have always been such. Their attitude toward life, their physical appearance, their steadiness of purpose, and their lack of imagination and so-called "temperament," seem to harmonize with the output of their mills and foundries. It is

the country of Gramme, the inventor of the electric dynamo, who is considered by the Belgians as greater than Watt. It is the place where the first locomotive was built for use on the Continent. Here was put together the first mechanical spinning-wheel for Continental use, and it might almost be claimed as an original invention, since the English, who were already using it, guarded their secret well.

Belgium is the commercial and industrial balance-wheel of the trade of the world. Every intricate piece of machinery has its steadying device. There is no more intricate, more delicately adjusted mechanism than the trade of nations, and without some influence which tends to diminish the violence of fluctuations either naturally or artificially brought about, the immediate future would be full of uncertainties not only for the producer, but for the consumer as well. This has always seemed to me to be the great and useful part played by this comparatively tiny area of the earth's surface, where human activities have become so intensified as to admit of no comparison with any other community. To comprehend what goes on in this pulsating ant-hill, and the influence that emanates therefrom, one must picture it to the mind's eye and then listen to the hum of well-ordered and productive Belgian industry, which can be heard over the round world.

Belgium has fewer than 12,000 square miles of surface, of which thirty-five per cent. is cultivated,



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Along the River Schelde, Antwerp, Belgium.

and seventeen per cent. is wooded. On the approximately 6000 square miles remaining live and work seven and a half million people, or about the same number as live in the State of Pennsylvania, which is in size eight times the more densely occupied area of Belgium. In the latter country as a whole there are 658 people to the square mile, or, deducting the cultivated fields and wooded areas, about 1300. So many are there in fact that there is little chance for open spaces, no matter how congested the towns may become. With all the differences which exist in race and idiom, it is virtually a single settlement. In the fifteenth century eight rulers found material within its boundaries for eight distinct sovereignties. To-day only one idea governs all these people,—of whom fewer than four per cent. are foreign born,—and that is to achieve the greatest productive power possible for the working unit. In this intensification of life, together with the natural facilities of water transport, short land haul, cheap fuel, raw material, and highly skilled and well-managed labor, lies the competitive power of the Belgian—a power that stands as a continual threat to those elsewhere who would increase the cost of the staple manufactures to the consumer.

With a slightly lower wage-scale than prevails elsewhere, even in Germany, Belgium is able to shave prices just sufficiently to act as a check upon bids for international business. A Belgium twenty

times as great as it is, and preserving the same intensity of industrial life and purpose, would dominate the trade of the world. An enlarged Belgium, however, would in all probability bring down upon herself the problems and handicaps under which her greater rivals now labor, and the slight margin of advantage in present cost of production would disappear. The entire nation presents a solid front against its competitors. Industry, commerce, and labor are organized to the highest degree possible under present conditions, and while they may occasionally fall into dispute one with another, they have a common purpose, and that is the success of the people as a whole. They are a sturdy race, Flemish predominating, stolid, thrifty, not "smart" in appearance and manner of living; holding comfort, safety, and a bountifully spread table, with plenty of good, cheap beer, as of more concern than exciting amusements, the play of wit, or the latest fashion in clothes or manners. In brief, they are materialist with a purpose, and they never deviate from their chosen line of march.

Every year the trade of Belgium grows by most satisfactory figures, but not in sensational leaps. As the growth of the foreign trade of France indicates the increasing measure of the world's luxury, so the increase in the foreign trade of Belgium indicates the growth of the world in material activities. Iron, steel, coal, glass, and fabrics are what Belgium produces, and by the absorption of

these products are measured the material prosperity and development of people elsewhere. The whole nation has evolutionized to meet this point of view. Forty years ago the once great industry of hand-made lace employed 150,000 women, while to-day they number scarcely more than 20,000. In the days when the state of Flanders gave Maria Theresa a lace dress, it took a year to make, and cost \$15,000, and that when money had a far greater purchasing power than it has now. The machine has taken the place of the hand, and those who still ply the older trade earn less than twenty cents a day. The lace-makers were, and still are, all women, unorganized, and, having no votes, unlegislated for; hence the trade is badly nurtured, and has fallen on evil days. To-day it is probably the only trade which is not thoroughly and effectively organized for state recognition and betterment.

Over one seventh of the population of Belgium are wage-workers, one fifth of them in the employment of railroads and municipalities, three fifths in factories, and the other fifth do their work at home. The labor-unions are all powerful, coöperation is general and successful, and a large percentage of the workmen own their own dwellings or plots of ground. In few countries has the smallholding idea been so generally and successfully carried into effect. The laws of succession are the same as in France, where the land is divided among the heirs, and this has checked somewhat this highly

developed natural instinct to become land-owners, as it is also one of the reasons for small families in France. When Charles V entered Ghent in the sixteenth century, he met a Flemish subject surrounded by twenty-one sons, and the father of this family was credited with thirty-one children in all. The birth-rate of the country has been large until recent years, but of late there have been fears expressed that the life and needs of modern times were having the same effect upon the Belgians that they have upon the French in checking the increase of population. In many instances this decrease can be traced to the same causes that exist in France—intense thrift, the laws of succession, and the forced economy of the worker under an increased cost of living, comparatively low-earning power, and the decreasing purchasing power of the franc.

Each passing year, however, shows a satisfactory gain in population, and as the Belgian problem is not one of sparsely settled areas, undeveloped resources, or scarcity of labor, the future is not giving much concern in that direction. There are over two million children under ten years of age, and leaving these out of consideration, one out of every five men and women is a paid worker. Children over ten are looked upon as necessary contributors to the family funds, and it is as yet only in certain parts of the country that primary education is compulsory. The result is that a large percentage of the population is illiterate, ranging as high

as forty per cent. in Flanders. This condition is rapidly passing away with the new generation. The age at which a child may be put to work is being raised, and compulsory education is spreading its influence slowly, but surely.

The Socialist element is strong, and the people are looking out for themselves. The nationalization of public utilities is progressing apace, and it will not be many years before they are virtually all state owned. The Belgian government is gradually acquiring all the railroads, and they are used by the people as railroads are used nowhere else. There are about twenty-six miles of line for every hundred square miles of land, and nearly 200,000,000 journeys are made in a single year. There is a system of daily tickets so arranged that a third-class ticket good for five days can be bought for about \$2.35, or a third-class ticket good for fifteen days can be bought for \$4.60, and the purchaser can travel all he pleases within the life of his ticket over a railway system covering the entire country and with about 3000 miles of trackage.

There were thirty-two different roads within the limits of Belgium when the government began to buy. It has secured control of twenty-four, and of the eight it still has to absorb, the longest has 160 miles of line. From the two great railway stations of Brussels there are 200 trains a day, which in the course of a year are patronized by nearly 50,000,000 travelers.

For years the Belgian locomotive was a familiar sight in many lands. It has a style of construction all its own, and when the American engineers first went to Panama, they found not only Belgian locomotives, but Belgian machinery, lining the route of the canal from ocean to ocean. It was good when it was bought, but has yielded in utility and economy to mechanical devices of the more daring American inventors. The Belgian-made street-car is a familiar object all over the world. For one reason or another, Belgian capital has found a tremendous outlet in tram-line securities, and even in the United States many of the Western cities have found a market in Brussels for their tram-line bonds. The origin of this may lie in the fact that earlier in the history of street transportation Belgian manufacturers furnished the equipment for the lines when Belgian financiers bought the securities. This is still true in places, South America especially; but the tram-line investment idea has now been carried beyond that point, and foreign companies are often financed where there can be no hope of furnishing the equipment.

The foreign trade of Belgium for the last fifty years is shown as follows:

	IMPORTS	EXPORTS	TOTAL
1860	\$178,000,000	\$170,000,000	\$ 348,000,000
1870	340,000,000	294,000,000	634,000,000
1880	523,000,000	430,000,000	953,000,000
1890	616,000,000	569,000,000	1,185,000,000
1900	694,000,000	636,000,000	1,330,000,000
1910	764,000,000	566,000,000	1,330,000,000

In 1910 the United States bought from Belgium to the extent of \$37,560,000, and sold to Belgium \$39,000,000, a trade which virtually balanced itself. The trade between the two countries in 1910 was less than for several years preceding, and of all the American sales to Belgium less than \$3,000,000 represented manufactured goods. The exports of Great Britain to Belgium were seven times those of the United States, of France twelve times, and of Germany about fifteen times. Among other things that Belgium sends to the United States are diamonds, glass, linen goods, and rubber, and in return we help to feed her people and supply her furnaces and factories with raw material. In the very nature of things it does not seem improbable that Belgium will sell us more in the future than she has in the past, and that we shall sell her less. A manufacturing nation herself, she will make more and more of what she wants, and with England and Germany at her doors, she will not go overseas for what she needs unless it be for articles made only, or best and cheapest, in the United States, or such novelties as may not be produced in Europe.

As Dr. Albert said of his own people, the Germans, so it can be said of the Belgians in speaking of the secret of their success in commerce and industry: "It is our readiness to adopt from foreigners their methods of labor wherever we find they are more practical than our own, but at the same time to develop and improve them through our

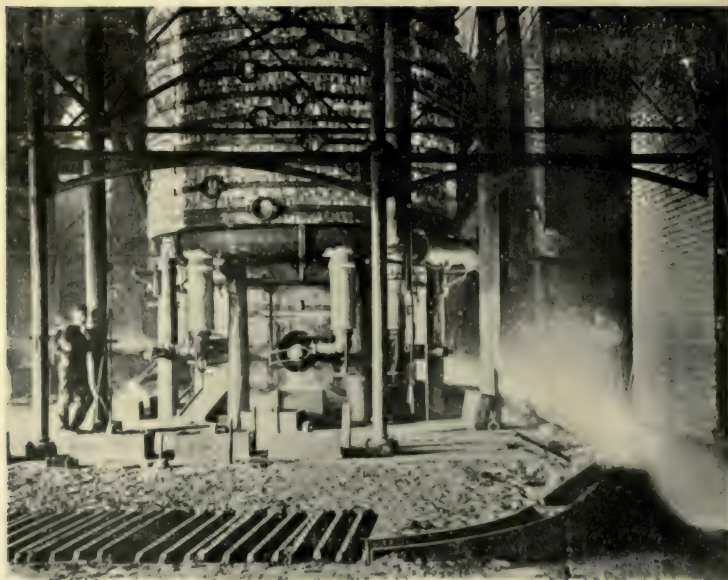
thoroughness in work, based on scientific investigation, and thus to outrival our original masters and models." Nor can the American people spare much more of the raw material of their own country. With each passing year there is a smaller surplus left from the demands of American mills, foundries, and factories. American exports of food products will also decrease because of the increasing absorptive power at home. Mr. J. Ogden Armour, returning from a trip to Europe in the summer of 1911, said he had just completed arrangements to supply the European market with meat from the Argentine to supplement a deficient supply from the United States. He also made the significant statement that while ten years ago the foreign trade of the American packers was of enormous value to them, he was now almost convinced they would be as well, if not better, off without any foreign trade at all, owing to the rapidly increasing demand in the United States—a demand which increases in greater ratio than the visible supply.

It can also be said in explanation of Mr. Armour's remarks that the population of Europe accommodates itself more readily to a period of high prices for staple foods than does the population of America. Our own people go on paying higher prices to the limit of their purses and sometimes beyond. As prices go up in Belgium and elsewhere, the consumption of meat decreases in much faster



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Curing Flax near Courtrai, the Centre of Belgium's Linen Industry.



Photograph by Brown Bros

A Blast Furnace, Belgium.

ratio than in the United States. Greater economies are exercised, other edibles take the place of meat, and wonderful ingenuity is shown in devising ways to spread the board and satisfy the appetite at no greater cost than the family income will warrant. It was also a feature of the so-called meat famine which prevailed in Western Europe about 1907 that there appeared on the market from all sorts of unexpected places quantities of meat, each shipment small in itself, but an enormous quantity in the aggregate. These sources of supply continued to yield as long as prices soared; but as soon as they again fell to a level considered normal (and the added supply had great influence in bringing about this result), they ran dry.

A few years hence the problem of feeding the people of America will tax the resources of the country to the utmost, and other countries will be called upon to contribute. It cannot be counted as a real loss, therefore, when American foreign trade in food products declines through such a cause. And while it may be counted as a loss where foreign trade in manufactured goods declines, we cannot expect the great manufacturing nations of western Europe to continue to buy when they can manufacture for themselves, and are becoming more able to do so with each passing year. Their people are as ambitious as are Americans, and in many instances they are thriftier and more willing to secure trade through patient effort than we are.

There is one serious loss that will come to the foreign trading of the United States should the American meat-packing, iron, and steel, harvesting-machinery, oil, and shoe-machinery industries lose their interest in foreign trade, and that is their influence upon American business abroad as a whole. They have been the advance agents of American trade in every land, and have conducted their business upon energetic and intelligent lines. They are the greatest and most scientific foreign traders in America, and it is in the wake of their adventure that other American trade has successfully entered foreign lands.

There is one feature of Belgian industry which affords some relief to the mind and the eye bewildered perhaps with the sight of countless tall chimneys and confused with statistics of production, and that is the flower-raising of Ghent and its environs. A hundred nursery gardens surround the city, and over fifty horticultural establishments deal in orchids, azaleas, and camellias. These are grown for export to France, Germany, England, and America, and while the cotton and linen industries of Ghent are a more potent factor in the wealth of the country, the flower industry brings no inconsiderable revenue, while at the same time the riot of color is a sharp and pleasing contrast as it comes into view against the background of the greater, but more somber, national activities. These great and important industries, which form

an impressive exposition the year round in such cities as Charleroi, where 40,000 men can be seen at work, fortunately for the temper and character of the people are varied by the lighter and more graceful exercise of the applied arts to be found elsewhere in this wonderful little country.

Belgium will hold her own as the trade and industry of the world develop, for she is well equipped for the struggle. Her people are educating themselves with that one object in view. Wonderful technical schools abound and are within the reach of all. Chemistry, manufacturing in all its branches, brewing, horticulture, and every other occupation, are fully represented in theory as well as in practice. The only dead city, Louvain, is the seat of the classical university. That sensational gains will be recorded in Belgian trade is hardly possible, owing to the present intensity of development. It can also be said that there are no signs of decadence among her people or her industries. They can stand the stress of competition with the best. For many years to come Belgium will fulfil her mission of service as the balance-wheel of the foreign trade of the world.

Leaving the Scheldt to the south, and passing into Holland, or, the Netherlands, as the country is now called in diplomacy, the short journey gives one of those sharp contrasts often experienced in Europe, and lacking between the political divisions of the United States. One finds at once a different

people, a different language, a different atmosphere, and a complete change in the character of industry. Here we find the Dutch, once the greatest, and still a great, colonial nation. With a unique little navy designed for coast defense, and composed largely of fifty torpedo-boats,—half as many as those possessed by England, and more than are owned by the United States,—a standing army of 30,000 men at home and 36,000 in her colonies, Holland is essentially a country whose people exist upon their sea-going trade. A miniature England in a way, many of the characteristics and methods of her great neighbor found their origin here. To the harbors of Rotterdam and Amsterdam come ships from all the ports of the world, and the Dutch flag holds its own sea paths to the far-away colonies of Borneo, Celebes, Java, the Moluccas, New Guinea, Sumatra, and Surinam, with their population of thirty-five millions, or nearly seven times that of the home country.

Until a few years ago Holland was a free-trader even to a greater degree than England; but as the demands of government administration and public improvement increased, a general import-tax law was put into effect for revenue purposes only. Except in the case of a few articles, the import duty is about five per cent. It may therefore be said that Holland is still a free-trade country as far as general manufacturing is concerned. The national wealth of Belgium is estimated to be about seven



From a photograph, copyright, by Underwood & Underwood.

The Great Nurseries at Ghent, Belgium.

billion dollars, and that of Holland five billions; but with her colonies the latter country has probably nearly the same standing as her busy neighbor. The Dutch are utilitarian,—even their wonderful flower-beds represent money, and that, too, in large amounts,—but there is no such impression of grimy toil and overwhelming industry as in Belgium.

The foreign trade of Holland, always great as compared with that of many other nations, shows in its regular annual growth that it responds to the general increase in the absorptive power of the world rather than to any great or abnormal development from within. In 1850 it was \$206,000,000, in 1880 it was \$583,000,000, and in 1910 it had risen to nearly two billions. In 1896 the trade between the United States and Holland was \$86,000,000, while in 1910 it was about \$61,000,000. A rather unique feature of the foreign trade of Holland is the fact that while iron and steel, textiles, grain, and flour form her principal exports, they also constitute her principal imports. That is to say, the nation is engaged in a general merchandizing business, buying and selling as the need occurs or as the markets indicate.

Once when at The Hague in company with a Dutch art expert, I was looking at a painting by an old Dutch master which had just been sold to an American. I expressed my surprise that the people of Holland should let these works depart

from their country. The art expert said mournfully: "Yes, you might wonder, but the truth is our people have spent so much money in American enterprises that we have none left with which to buy pictures." There is some basis of truth in his remark, for it is well known that American financiers have long looked upon Holland as a source of funds for the industrial development of America. Many flotations have been made there at first hand, and many more have secured Dutch money through the aid of the German banks; and so it is that we owe to the Dutch not only a sturdy lot of immigrants many years ago, but financial assistance in the development of the United States when such assistance was most needed.

The world turns slowly in Holland. The people appear to have plenty of time. There is a restfulness of atmosphere about the country which appeals strongly after the hurly-burly of life in apparently busier nations elsewhere; but the real meaning of this must not be mistaken or the steady purpose underestimated. There is no "lost motion" in Holland. The history of the Dutch is one of accomplishment, and with the exception of the days of frenzied bidding for special bulbs, when fortunes were staked upon a "sport" in size or color, their life and their commerce are marked by a calm serenity of purpose, a thoroughness of execution, and a never-failing margin of profit in small or large transactions, which make for a solid growth

and permanent prosperity seldom encountered elsewhere.

Like Belgium, the Netherlands is protected from foreign aggression through the jealous watchfulness of the powers. Should war break out between them, the trivial defenses of the Low Countries would count as for nothing except to the swarming forces of the combatants. The query obtrudes itself constantly in this realization as to why these smaller nations tax themselves for war equipment beyond their colonial or revenue service needs. For actual defense it would be futile in the end, and the dignity of these nations to-day lies not in the power of their armaments, but in the strength of their intellectual development, their prosperity in commerce, and the peace and contentment of their peoples.

A change is coming over the spirit of American export trade, and while in the years going by we count with satisfaction the outgoing millions of tons of raw material and food products; the millions in gold, countless canceled coupons from securities held abroad, and millions of tons of merchandise returning in payment, we must now prepare our minds and set our house in order for the new epoch rapidly approaching. In that epoch we must tax our own land to feed and clothe our own people, and far horizons will be scanned for new sources of supply. What we shall then have for sale will be the products of labor, and in that mar-

ket we shall meet the best merchants, the closest calculators, and the most patient people in the world already intrenched behind years of experience. No tariff wall will give us any advantage. It will become more and more a duel between the producing labor of the nations. The desired result can be brought about only by intelligent and considerate coöperation between employers and employed. This seems to be achieved to a marked degree in Germany, Belgium, and Holland. In England there is great lack thereof; so much so, that capital fights shy of industrial enterprise, and unintelligent greed on one side or the other destroys them both.

In the United States natural resources and quickness of invention have postponed the day when the situation can be clearly estimated, though there are ominous signs of a failure to grasp the absolute necessity of "team work" to meet the foreign rival successfully. In Germany, Belgium, and Holland the employer and the employed get all the advantage they can for themselves, but as a rule insistence ceases just short of the point of self-destruction. In England there are many branches of export trade which are languishing, some of them even extinct, where the reason for disaster can be traced directly to a blind insistence upon dominance of employer over employed, or vice versa. A division of the proceeds of labor based upon the average producing power of the unit cannot be made, a



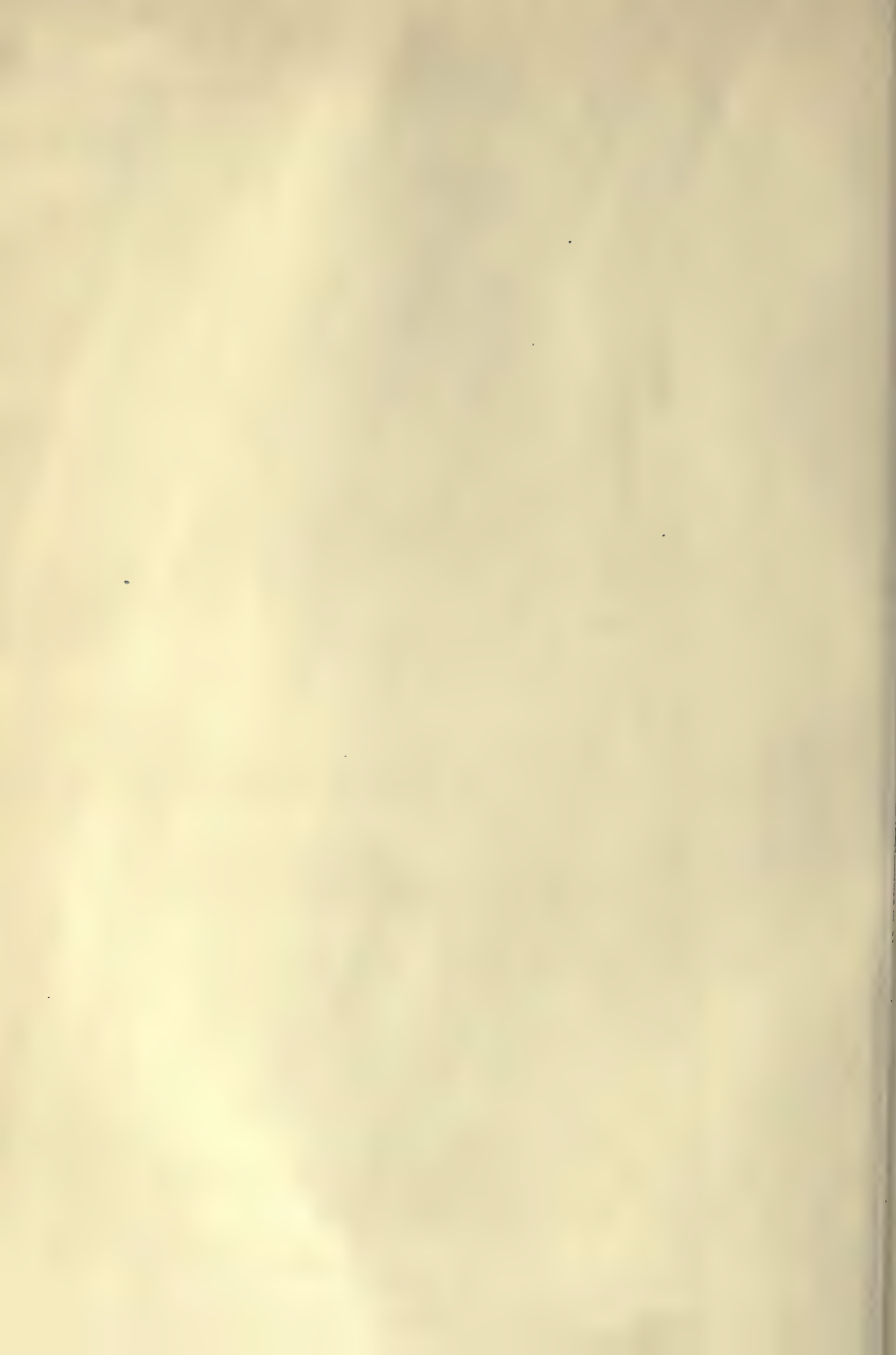
Photograph by Brown Bros.

Docks and Shipping, Rotterdam, Holland.



Photograph by Brown Bros.

The Morning's Milk, Amsterdam, Holland.



principle strong in England, without discouraging the productive power of the exceptional unit which is needed for successful competition in the free-for-all markets of the trade of the world. In both Belgium and Holland labor is organized to an intense degree, but as a body the producers have been self-taught through experience that by virtue of the character of their national trade their absolute power must be exercised with intelligence and caution. This is one of the most valuable suggestions which can be secured from a careful study of the foreign trade of the Low Countries.

There is an air of romance and interest surrounding the foreign trade of Holland that is found in no such degree elsewhere. The warehouses of Rotterdam and Amsterdam are redolent of spices and the strange products of far-off places. Dutchman and Levantine jostle each other on the quays, and the stevedores are continually passing along in most casual manner, in or out of the hold of some vessel, packages and bundles which arouse curiosity as to their contents. Rubber, coffee, spices, fruits, fibers, nuts, live wild animals—all these and a hundred other things of uncommon note in the life of the ordinary man are continually in sight. It is an exposition of the products of the earth, this foreign trade of Holland; and yet these things of interest form only a small part of the trade in its volume or value. It is the tonnage of coal, iron, steel, cloths, and other weighty things that load the

ships, bring money to the vendors, and furnish labor for the people.

In Belgium and in Holland the government is in the form of monarchy, but there are no more democratic people in the world. They guard their liberty with jealous care, and what the people want they have in all matters of legislation. Authority is recognized, and the reigning sovereigns are treated with almost affectionate regard; but should any attempt be made to impose upon either community old-time ideas of absolutism, the existing form of government would be swept out of sight between sunrise and sunset. They are self-governing communities, and are competent in knowledge and through temperament to handle that dangerous possession, liberty, with safety to themselves and to others. This is the kind of people Americans must face in the years close at hand, when through rapidly changing conditions we shall be compelled to take in earnest our places in the struggle for the trade of the world.

VI

AUSTRIA-HUNGARY—THE EUROPEAN ENIGMA

THE picture that comes first to my mind when Austria is mentioned is that of a fine street in Vienna, a crowd waiting for a train; a well dressed, respectable crowd on its way home from business, shopping or pleasure as the case might be. In that crowd stood an Austrian soldier, a colonel by his straps, but his insignia of rank were so hidden by the pile of bundles he carried, it was difficult to decide without manœuvering for a better view. Both his arms were full of miscellaneous packages which had evidently been accumulated during a shopping tour with the thoroughly well, though plainly, dressed woman at his side, his wife presumably. Between the man and the woman stood a small child, perhaps six or seven years old, who clung for safety to the scabbard of his father's sword which dangled from below the packages.

It was a homely scene, most domestic and admirable in what it indicated, though it would be difficult to imagine an Englishman, a German, a Frenchman or an American of the same military rank and clothed in full dress uniform, placing himself in the same position of frank, but unconscious domesticity

in full view of the public. It is difficult to obliterate first impressions and no matter how they may be modified later on by better knowledge and clearer insight, their influence is potent. Perhaps, after all, they are fairly reliable as a guide to the character of a people, though facts and figures must be taken into consideration in the final analysis and in assigning such impressions their place in the order of importance.

After several years of familiarity with Austria and the Austrian people, I still find myself noting with interest this most illuminating trait of these Germans who are not Germans, for this officer I saw waiting for the train I found later to be but one of many who looked upon life as he did. Of the less than 30,000,000 people in Austria, about 10,000,000 are Germans and they are so concentrated in Vienna and the more northern towns and country that the traveler must fare far afield to realize that he is not among the German people proper. There are differences, however, some obvious and some subtle, which distinguish the Austrian from the real German and it is a mortal offense to either to mistake their nationality, even though they be so closely allied. The Teutonic race is strong in its markings and all its branches are much akin. Certain differences of language, habit of thought, customs and the point of view are determined by heredity and environment.

The Germans of Austria, dominating, as they do, the industry and affairs of the Dual Monarchy, are

an easy-going, stolid and solid people, lacking in initiative and enterprise, but strong through their race cohesion and stability of character. The more turbulent half of the Empire, the Kingdom of Hungary, is populated by a quick-minded, emotional and high-strung race, or a number of races, whose very vivacity, mental alertness and passionate natures lead to quarrels not only with outsiders, but among themselves, thus preventing united, consistent, persistent and effective harmony in national affairs. The safety of the Austria-Hungarian Empire, as well as its dangers, lies in the innumerable divisions of its people in matters of tradition, language, pride of race, and in the interminable dissensions existing among themselves.

With a common scheme of defense and of finance, the Austrian Empire and the Kingdom of Hungary are in other respects separate and distinct nations and each within itself is again divided and subdivided into peoples and tribes innumerable. In Vienna finances and the newspapers are controlled by Hebrews; if you ask for the most skilful physician, you get a Hungarian; the hotels are run by Swiss; the court gets its manners and its fashions from Paris; in fact to find anything original, or a plan needing energy and insistence in the carrying out, of German-Austrian source, is more than difficult, and yet these people rule, for they stand together as one man and against a majority divided against itself, with each division jealous to the point of

frenzy of the others. The outcome of such a state of affairs is obvious: the German Austrians pursue their quiet and methodical way, steadily and effectively, while the other elements, outnumbering the German Austrians as they do, at least four to one, constitute the minority when it comes to doing the things that make a nation's political and industrial life.

Vienna, the capital, controlled by the German Austrians, is a handsome and interesting city and at the same time one of the dullest places of its size on the earth's surface. This city is living on traditions of past gaiety which the traveler of to-day feels must lack much of their accredited foundations in fact. For all the long winter months the sky hangs dark and drear with heavy banks of clouds. The wind blows cold. By ten at night humanity has sought a warm corner by the stove and he who lingers outside the gates must pay the concierge to let him pass within. With the coming of spring Vienna is transformed, but it is like the freshness of youth for a little later she ceases to attract and those who can, flee to the mountains to escape the heat and dust.

The centime, or rather the heller as it is called, of which it takes five to equal an American cent in value goes far, but in no country must it be more agile. I know of no other place in the world where a cent will bring more consideration, for if two heller be given a street car conductor the passenger can

inconvenience every one else by carrying a large bundle of laundry or other merchandise and receive no rebuke or protest from the official in charge. The cafés of the city are the gathering places of the people and the one offering the greatest number of periodicals to its patrons gets the largest crowd. For a few cents one can sit out the day in a comfortable chair at a table on which letters can be written or from which can be watched the gesticulating throng talking the interminable politics of the day, which never get anywhere and accomplish so little for the nation. The people of Vienna seem to spend their lives at this sort of thing and to consider the day well spent when they have done that and nothing else.

Austria-Hungary has been called the whirlpool of Europe and it is, in that the life of the Empire forever revolves upon itself in never-ending circles. Secure in its alliance with the Germans of the north, distrustful of its ally to the south, fearsome of the great power that lies to the east and negligent of what may happen to the westward, Austria lies in the heart of Europe, in a position to create a disturbance, but powerless to dictate peace. The Austrian army was held to be the finest in Europe until it was smashed by the Prussians. It has been built up again to a point most formidable on paper and of a known force sufficient at least to terrorize the smaller states to the southeast in their struggle for freedom from dictation. Just how much Germany counts

upon the military strength of this ally to aid her in possible conflict with more western countries no one can say, but it can readily be believed that it is more as a buffer than a live fighting machine which would give quick, responsive service. The fact that Austria moved her military strength to the south with an eye to eventualities in the Balkan peninsula, was one of the big reasons for the recent sensational increase in German armament, but the Austrian Alps and the vast stretches of Austrian frontier east and west are still as valuable to Germany as a hundred army corps, for the German Austrians are her allies by reason of racial sympathy and point of view. There are notable instances in the world to-day of countries whose finances and whose economics are in apparently helpless condition. If such a country was doing business as a merchant her creditors would demand a receiver and further credit would be denied. If such countries came under the laws governing national banks the comptroller would promptly close their doors and wind up their affairs. Being nations, however, they go on indefinitely borrowing more money, collecting new taxes and juggling with balances to make a showing that will satisfy or blind the electors to real conditions. The inevitable national deficiency occurs regularly each year and there is apparently no possible outcome but collapse and repudiation. This is the snare of budget statements, for there is seldom a collapse and still less frequently repudiation. In Southern and

Central America have such things occurred, but only when all government has been swept aside and the blight of dishonesty, greed and inability to govern has rested upon a people. Among the greater nations, even those of recently acquired greatness, as in the case of Japan, the budget may puzzle the most adroit minister of finance to find a balance and yet the nation goes on. Taxes reach the apparent limit of the people to pay, but do not exceed; new borrowings are achieved at quite possible rates of interest, increased expenditures for armaments are provided for and still bankruptcy is postponed. With the individual of like financial methods it is largely a matter of luck that he weathers the storm and the percentage that does is small. For nations that are bankrupt on the face of the returns, there is a saving grace and that is the increase of population and what is still more potent, the constantly increasing purchasing power of the unit. Critical analysis of the present economics and financial conditions of Austria-Hungary leads to impressions far from optimistic, and yet it would be unsafe to draw the obvious conclusions, for the country is rich in those greatest assets of all, land and the fatness thereof, and in a people who toil intelligently and incessantly to give expression to this natural wealth.

Next to Russian Austria-Hungary is the largest political division of Europe, having over 260,000 square miles of territory, or at least 50,000 square miles more than Germany. Of this area 115,000

square miles constitute Austria, 125,000 Hungary and 20,000 Bosnia-Herzegovinia. The population of the Empire is about 50,000,000 or 14,000,000 less than Germany, but is not distributed according to the size of the country's political divisions. About thirty million live in Austria, 20,000,000 in Hungary and less than 2,000,000 in Bosnia-Herzegovinia. Austria has a population of about 261 to the square mile, Hungary has 160 and Bosnia-Herzegovinia about 100. This distribution of population is significant of conditions prevailing in different parts of the Empire. In Austria is found the large and small farmer, the industrial plant, the mining camp, numerous villages and the largest cities. Physically, the country is equally varied. The life of the people is well balanced in a diversity of occupations, which means a diversity of resources, the best possible guard against long periods of financial or industrial depression. Less than six per cent. of the area of Austria is unproductive and more than half of the people are engaged in agriculture. Rich in raw material, over 8,000,000 of the people are employed in industrial labor, iron and steel, textiles and glass being the leading industries. Austria-Hungary lies within easy striking distance of the Balkan countries, and, in fact, almost envelopes them in the sphere of her political and economic influence. It is obvious, therefore, that no people possess a more acute interest in the Balkans than do the people of Austria-Hungary. They look to these communities to the

south for relief for their own bad conditions at home, brought about by over-production and the keen competition of trade from the west and north. In fact, so hopeful have the Austrians been that a great era of development had begun for the Balkan peoples, that these hopes were discounted to a degree threatening a serious reaction, of which there are already ominous signs. The people of Austria are industrially in the position of a man who has plunged heavily on the future and who, seeing disaster ahead, prays for a miracle to intervene to sustain his credit and take care of his obligations. It takes courage to acknowledge the truth, but even in the face of this universal optimism there has been found those who are willing to assume the thankless task of warning. The people of central and southeastern Europe live in a seething cauldron of politics. Political discussion and conflict are the curse of this part of the world. From Vienna to Athens the cafés resound with argument and prediction and these acute political conditions often blind the people to the real state of affairs at their own door. The stock exchanges respond to political alarms far more readily than they do to crop statistics or market reports and the victory of the Balkan allies over the Turks gave to the Austrian financiers, agrarians and industrials an optimism as to the immediate future not warranted by the possible immediate trade development of the region of the lower Danube or by conditions at home. The Balkans must borrow

money for reconstruction purposes. Austria has none to lend, hence her rivals, through their loans, will obtain a hold upon that earlier development which she has counted upon for herself. Neither is Austria-Hungary in a position to borrow heavily abroad for the extension of her Balkan credits and no other country will loan in the Balkans as freely as would Austria, for with her it is almost a domestic affair. The Balkans must wait, therefore, for their full development and in the meantime Austrian business and industry suffer through reaction from the high hopes following the driving of the Turks from Europe. Realization of the dream of a great and peaceful Balkan federation furnishing a new and ever expanding market for the products of Austria-Hungary is of a future too remote to yield relief from immediate troubles, if, indeed, it is not a vision which will never come true. The textile industry of Austria, one of the great mainstays of business, is in a rather bad way in this year, 1913. Warehouses are crowded with unsold goods, one hundred and sixty thousand looms, or 38 per cent. of the total, stopped work between October, 1912, and May, 1913. Over 50 per cent. less orders were booked in the first quarter of 1913 as compared with the corresponding quarter of 1912. The insolvency statistics of the Creditors' Association of Vienna, 90 per cent. of whose members are in the textile trade, show 2,557 cases of bankruptcy in five months during the winter of



Photograph by Brown Bros.

Docks Along the Danube River.



Photograph by Brown Bros.

A Forest of Masts at Triest, Austria.

1912-13 as compared with 1,148 during the winter preceding. The Austrian cotton industry employs 150,000 people and its hopes for betterment have laid in the prosperity to come to the Balkan peoples, which it was hoped would be immediate. It seems hardly credible that these people who are more intensely concerned with Balkan affairs than any others, should not have sensed more perfectly the trouble and delay which was inevitable before peace and prosperity could prevail among a population long oppressed and now intoxicated with freedom, the economics of whose countries are, temporarily at least, in a most disorganized state. In fact, there is good reason to believe that when peace does come, followed as it will be by natural development, that such progress will not be as rapid or travel as far as the outside world has been led to believe.

Hungary is a vast agricultural region and upon the fullness of crops is based the going power of the nation. Over 70 per cent. of the people are engaged in agriculture and less than 15 per cent. in manufacturing. It is said that six landlords own one-twelfth of the area of Hungary, but the average farms are small, there being over three million holdings, over one-half of which are less than seven acres each. The population of Austria-Hungary increases but slowly, for while the natural increase is normal, emigration is abnormal. During recent years of depression nearly 400,000 people have left the country annually, most of them finding their way

to the United States. In 1907 more left Hungary than Austria, but owing to good crops in Hungary and bad industrial conditions in Austria, the position was reversed in 1911, about 140,000 leaving Austria and 70,000 leaving Hungary. Nearly a quarter of a million people now come to the United States each year from Austria-Hungary and probably not more than 50,000 return to their native land. That these people do not constitute a most desirable class of immigrants is obvious and it is against these people and those of Southern Italy that agitation has arisen in the United States towards the further restriction of immigration. It may be said here, however, that the work of the expensive and formidable Congressional Immigration Commission appointed to investigate this subject was rendered abortive, not by reason of the information gathered, but through the conclusions reached by the commissioners. To attempt to place a numerical restriction upon immigration is an economic absurdity and to require an educational qualification does not protect the American people from the evils complained of and in many cases would exclude the kind of labor most needed. This is especially true of the immigration from Austria-Hungary. To President Taft is due the credit of a courageous veto of a bill proposing the educational test. The correct theory of immigration restriction is found in the police jurisdiction given to a community over its water supply; it is justifiable that it

be made as pure and wholesome as possible; no measures to that end can be too drastic; and the flow will take care of itself regulated by the law of supply and demand.

The prosperity of any one country adds to the prosperity of all. The theory that a war in one place benefits people elsewhere, through decreasing the production and increasing the wants of the fighting community, is a pernicious sophistry current with many others of like nature on stock exchanges and among middlemen. Bad crops in Hungary may temporarily raise the price of grain a fraction to the American farmer, but in consequence of these bad crops there is an exodus of poverty-stricken families to the United States of a class the least desirable to add to the population of America. Next to Italy Austria-Hungary receives more money from her citizens living in the United States than any other country. It has been estimated that in a single year as much as \$40,000,000 has been sent home by Austrian-Hungarian immigrants. As this is the legitimate profit upon labor freely done and paid for at the going scale no complaint can be made, but if this money was invested in the United States, the country in which it was earned, it would be better for America, and as a rule better for the wage earners, for when sent abroad it is more often used for the support of the needy or helpless than for the purpose of producing income. Another reason why the Austrian immigration is not of the best

character is that through Austria pass many refugees from the Russian border and assistance is given to these people to enable them to evade the restrictions of the American immigration laws. The greatest scandals in the history of the service have originated here and the line of the so-called "underground routes" engineered and financed from the United States, lie through Austria-Hungarian territory. The strength of racial and religious sympathy is shown in the fact that some of the men who are most prominent in the civic improvement and civic morality movements in New York City are the heaviest contributors to funds used for unlawfully assisting immigration, and a late commissioner-general of immigration at Washington at the end of a long and wearisome day of "hearings" remarked to the writer that the pressure brought to bear upon him to violate his oath of office, for the faithful and impartial administration of the immigration laws, on behalf of certain foreign races and creeds, was almost unbelievable. "And," he remarked, bitterly, "these are among the men who lead in much advertised organizations for the reform of city, state and national government in America." From these same directions came much of the pressure upon Congress in 1912 for the termination of the treaty between the United States and Russia, an agitation successful in its first instance, but which will ultimately fail of the particular object desired, ostensibly desired, at least. The people of Eastern

Austria-Hungary are so closely allied to the Russian population that what affects the communities east of the boundary line touches those to the west as well. A far greater question than that of passports was involved in this American Anti-Russian agitation. It was well put to me by a man of the people in Moscow, when he said: "The passport question is really not so important, but every time we can get a foreign government to protest against Russian policies and thus attract public attention to interior conditions, we gain perceptibly. The American government is playing the game for us and we are grateful." Viewed in this light the passionate appeals to American pride and the hysterical declarations as to the sanctity of the American passport for which many worthy American statesmen and publicists were naïvely responsible, became slightly ridiculous.

During the past ten years the foreign trade of Austria-Hungary has steadily increased with each succeeding year with the exception of 1908, when the purchasing power of the people was small, owing to bad crops and to the financial stringency which was general throughout the world at that time. In the last decade the foreign merchandise exchanges of the Empire have risen from about \$750,000,000 to over \$1,200,000,000. A most unfavorable feature of this gain, however, has been that exports have remained at about the same figure for several years past, while imports have largely increased. If the

Empire was a creditor nation this would have the same meaning as does a similar excess of imports in England and other nations with large investments abroad, but as it is estimated that nearly \$70,000,000 of foreign capital comes to Austria-Hungary each year, more than goes out for investment, it is evident that economic conditions are not healthy and that the excess of imports is a heavy drain upon the resources of the people as is the case in Japan. A healthy condition in a debtor nation like Austria-Hungary requires an excess of exports over imports, the surplus merchandise paying the interest and principal of borrowings abroad. At present there are few signs of such a desirable reversal of form; in fact, quite to the contrary, for the recent increases in expenditures for armament and extensive military activities due to the Balkan troubles, are still further involving the credit of the country and postponing a possible readjustment of national finance. The imports and exports of Austria-Hungary for a period of five years, the most recent for which statistics are available, were as follows, expressed in round numbers and in millions of dollars:

	1907	1908	1909	1910	1911
Imports	\$ 521	\$499	\$ 572	\$ 594	\$ 664
Exports	512	470	483	503	500
Total	<u>\$1,033</u>	<u>\$969</u>	<u>\$1,055</u>	<u>\$1,097</u>	<u>\$1,164</u>

It will be noted that the total foreign commerce of Austria-Hungary has increased, but by a much smaller percentage than that of any other occidental

territory of importance in the trade of the world. It is also evident that the export trade of the Empire is at a standstill and has been for some years past. The small increase in foreign exchanges is entirely due to increased imports, the gain being largely in manufactured goods. For a period of five years the imports and exports, expressed in millions of dollars, were distributed as follows:

IMPORTS.

	1907	1908	1909	1910	1911
Raw materials.....	\$290.5	\$269.5	\$334.5	\$329.5	\$381.0
Semi-Manf. goods...	96.5	90.5	90.5	99.0	101.0
Manufactured goods.	134.0	139.5	147.0	165.5	180.0
Total	\$521.	\$499.5	\$572.0	\$594.0	\$662.0

EXPORTS.

	1907	1908	1909	1910	1911
Raw materials.....	\$186.0	\$178.5	\$182.5	\$182.0	\$170.
Semi-Manf. goods...	91.5	81.0	84.5	90.	95.5
Manufactured goods.	234.0	210.5	216.0	231.5	234.5
Total	\$511.5	\$470.0	\$483.0	\$503.5	\$500.0

On the face of the figures for 1911 the proportions of raw material and manufactured goods given in the import and export trade are favorable to any country. Of the imports, over 60 per cent. is raw and semi-manufactured material, presumably used in the employment of labor after importation. Of the exports, nearly half are manufactured goods or a larger percentage than is shown in the trade returns of the United States and this is all the more noticeable in that the occasional heavy grain export of Austria-Hungary is included in these figures of trade

for the whole Empire. In 1906 Austria-Hungary adopted an increased scale of import duties, among these being heavy import taxes on food-stuffs. This was done at the instance of the agrarian element. The result does not seem to have been what was anticipated. Agriculture has not been stimulated, imports of agricultural products are larger than ever and the increased cost of living has had a bad effect upon manufacturing industry through raising the cost of production. The agrarian element charges, and probably not without reason, that the high duties on manufactured goods have enabled the industrial combinations to force the price of iron, steel and other materials beyond the point necessary to meet the increased cost of production. It is a more or less new situation in Austria-Hungary, but it will sound strangely familiar to those who have been concerned with politics in the United States during the past 25 years. The chief articles of import into Austria-Hungary in the food and raw material classifications are cotton, cereals, tobacco and coffee. The principal items in the importation of manufactured goods are machinery, instruments, yarns, cloths and paper. The principal exports of food and raw material are eggs, beef, cereals, fruit, hops, hides, wood and coal. The principal export of manufactured goods are provisions, sugar, clothing, wood and bone, glass ware, metal ware and cotton and woolen goods. The distribution of the foreign trade of Austria-Hungary is

interesting and significant of the geographical and political relations of the Empire. During a period of five years the imports and exports have been apportioned in percentages as follows:

IMPORTS.

From	1907	1908	1909	1910	1911
Germany	39.	41.	42.5	40.	40.
United Kingdom ...	9.5	9.	7.2	8.	7.1
United States	9.5	9.2	8.	8.2	9.
Italy	4.9	4.9	4.2	4.6	4.5
Others	42.	40.8	38.1	43.8	43.9
Total percentage ..	100.	100.	100.	100.	100.

EXPORTS.

To	1907	1908	1909	1910	1911
Germany	43.	42.	40.5	40.1	38.9
United Kingdom ...	9.	10.2	10.2	9.1	8.7
United States	2.7	2.6	3.4	3.3	2.3
Italy	7.9	10.1	9.5	9.1	8.7
Others	37.4	35.1	36.4	38.4	41.4
Total percentage ..	100.	100.	100.	100.	100.

The principal countries other than those specifically mentioned with which Austria-Hungary carries on any trading of consequence are India, Russia, Switzerland and France, but with no one of these is more export business transacted than with Italy and as a rule it is much less. In the matter of imports this also holds, excepting in years of bad crops in Austria-Hungary, when the imports of food-stuffs from Russia and of food-stuffs and cotton from British India, increase these figures temporarily to a point larger than the imports from Italy, but at no time do they rise to the level of the value of importations from the United States. Germany is naturally

and actually Austria-Hungary's best market in which to buy and sell. Great Britain and the United States are far behind, though about equal one to the other, and Italy is a bad fourth. If these trade figures were susceptible of final analysis, it would probably be found that some of the German trade and even some of the English trade was in goods of American origin and that the American figures should, by rights, be much larger. This is true of the trade of practically every large country in the world with the exception of England, for the ultimate destination of millions of dollars' worth of goods shipped from the United States is not shown on the face of the original invoices, and exact knowledge as to the true value of any country as a market for American goods, especially when such country buys through Western Europe, is most difficult to ascertain. A careful analysis of the foreign trade of the United States would lead to many surprises and would probably stimulate the effort to secure more direct or more profitable form of trading. It is the middleman who raises the cost of goods to the consumer at home as it is the foreign middleman who reduces the profit of the American exporter and thus incidentally reduces his competitive power as well. Of the \$1,164,500,000 of Austria-Hungarian foreign trade in 1911, over \$335,000,000 or nearly one-third, passed through the Austrian port of Trieste and the Hungarian part of Fiume on the Adriatic. Four-fifths of this trade belongs to Trieste. These two

ports being the only outlets to deep water, enormous importance is attached to their maintenance and defense. With only two ports of consequence, Austria-Hungary is the eighth naval power in the world, maintaining a fleet of 12 battleships, more torpedo boats than any other country excepting England and France, and a naval force of nearly 15,000 men. Direct trade between the United States and Austria-Hungary in 1912 was about \$42,000,000, of which \$18,000,000 were imports into America and \$24,000,000 were exports to Austria-Hungary. In ten years imports into the United States from Austria-Hungary have increased from ten to eighteen million or about 80 per cent. In that same period American exports to Austria-Hungary have increased from seven million to twenty-four million or about 250 per cent. This increase of export from America is distributed over the wide range of American production but raw cotton and manufactories of iron and steel may be given credit for the largest percentage. Trading in Austria-Hungary is no easy matter for Americans unless they have something to sell which cannot be obtained elsewhere and even then it is generally sold through a foreign agent, most likely a native Austrian or a German. The Dual Monarchy is surrounded by productive countries and industries and ingenious peoples who are quick to find new advantage and tenacious in their hold upon that which is already theirs. This is home ground for their traders and the English-

speaking salesmen must run the gauntlet of his French, German, Italian or Russian competitors before he can gain access to the ultimate consumers in this heart of Europe. The political future of Austria-Hungary is shrouded in more or less mystery. The aged emperor, who has, for so many years, through agitating alarms and a life of personal tragedies skilfully balanced one against the other, the conflicting domestic forces, must soon relinquish his hold. It is the usual thing to predict dire trouble for the Dual Monarchy to come with the demise of the present emperor. This might have been true a few years ago, but with every passing year peace strengthens its hold on Europe. The armed and financial strength of political and industrial rivals increases apace. Alliances and ententes maintain a balance of power impossible of such neutralizing force in the earlier days of innumerable warring states. The personality of the heir to the throne and his status with the people has become of less moment, for ideas are now more prone to prevail than personal followings, prejudices or ambitions. In other words the people themselves are gaining in power throughout the world and governments, constitutional or otherwise, find it necessary to listen to the voice of the people with greater deference. Government by force is vanishing slowly, it is true, but vanishing nevertheless, as civilization teaches the lesson of self-control of nations, a virtue great in proportion to the size and power of the community

cultivating such self-restraint. The unthinking majority occasionally deafens the ear and clouds the vision, but the concrete result is dictated by the wisdom of the thoughtful minority, the element in each nation which an intelligent government seeks for guidance. Austria is stable; Hungary less so; but the stability of the Austrians is in control, not only by reason of the greater strength of stability, but in actual majority of population, wealth and organization. Behind this force for future peace lies all the strength and support of Germany, for Austria and Germany are more closely allied than any other two great nations in the world to-day; in fact, many look upon Austria as but a southern extension of the German Empire. Political boundaries are more permanent to-day than ever before in the history of international jealousies. Friendships, alliances, ententes and tacit understandings are all the vogue and there are no restraints placed upon them. Annexations are viewed with less favor and are becoming less and less frequent. In the Parliament house at Budapest having two pictures, one of His Majesty, Francis Joseph, Emperor of Austria, Apostolic King of Hungary, King of Bohemia, Dalmatia, Croatia, Slavonia, Galicia, Lodomeria and Illyria, King of Jerusalem, etc., etc., and the other of Prince Eitel, the popular second son of the Emperor of Germany. The young German prince speaks the Hungarian tongue and has made himself a familiar figure in the southern part of the

Dual Monarchy. Much significance has been attached to this among those who give credit to the German Kaiser for the farsightedness to which he is entitled. Those who fear him see therein a suggestion of great ambitions. Those who, with Lord Haldane, believe the German Emperor "has held the peace of Europe in his hands for a quarter of a century and has not broken it," find only a provision against the time when outside influences might be called upon to straighten out the affairs of Hungary and provide a compromise ruler for a people torn by internecine wars. The Hungarian parliament is controlled by the Magyar element who number, however, only about eight million out of the twenty million Hungarians. Their ascendancy has been achieved through superior education, better organization, gerrymander and corruption. The Slovaks, Croats, Serbs, Transylvanians, Ruthenians, Bohemians, Poles and Germans are not in sympathy with the Magyars and would rise against them without much encouragement as they have done before. The Croats are an industrious people and are loyal to Vienna. They have risen quite recently against the Magyars and only abandoned their contention after intervention from Austria. In a struggle against Austria, the Hungarian people would now find little sympathy in the outside world. Since the days of Kossuth, over 60 years ago, there has been a reaction of feeling. Emperor Franz Joseph has the respect

of all foreign peoples and his treatment by the Magyar politicians has not helped their cause. Germany would support Austria; France would probably remain neutral, notwithstanding the famous speech of Paul Deschanel when he was speaker of the French Chamber of Deputies, to the effect that France should hold herself in military readiness to take advantage of the breaking up of Austria-Hungary, which would inevitably follow the death of the Emperor. The French government and M. Deschanel have frequently apologized for that speech, but the sting of it still lingers in the court of Vienna. Between Hungary and Russia there is no love lost and Rumania and Servia are her enemies. A careful survey of the whole position inclines to the belief that the death of Emperor Franz Joseph would much more likely bring about perforce a closer union of Austria and Hungary than the dissolution of the Dual Monarchy. That is to say, Hungary is more likely to lose something of her present identity than she is to achieve a separate existence. Diplomatic intercourse between the United States and Austria-Hungary has been of a most friendly character during the past century. The first treaty was concluded in 1829 and the six or seven following conventions are merely expressive of friendly relations and mutual understandings. In 1870 Austria-Hungary recognized by treaty a possible change of citizenship from one to the other country, providing that an Austrian who was a naturalized American must

have lived in the United States uninterruptedly for five years before his American nationality should be fully recognized by Austria. The Dual Monarchy is one of the countries with which President Taft succeeded in concluding an arbitration treaty. To be sent as American Ambassador to the Court of Vienna has always been held as a considerable honor, for in earlier years Vienna played a most serious part in world politics and the Austrian Court society, to which the diplomatic corps was admitted, was most exclusive. French was, and still is, the language of this Court and the customs and usages of this exclusive circle are as inviolable as the law itself. Vienna is one of the only two embassies of the United States where, without advertising the fact to our people at home, the American Ambassador is allowed to so vary the cut and style of his evening clothes as to constitute a distinctive diplomatic uniform, one which renders it possible for him not to be mistaken for a superior kind of butler in attendance upon royalty. The past has not been without its incidents, excitements and humors and in quite recent times America learned more of the details of life in Vienna through the agitation which followed the publication of the Roosevelt-Storer correspondence, than the importance of that city in its relation to American affairs fully warranted. Strange stories are told, also, of Americans who have achieved this post in the old days of reward for party services without much regard to knowledge of European politics,



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The Graben, the Wall Street of Vienna.

languages or court etiquette. One young secretary who had served his years in the European capitals and was sent to Vienna to assist a newly appointed American Ambassador, found the first task assigned to him to be that of drawing up a set of "rules of etiquette for Americans visiting Vienna," and he found, also, that the Ambassador himself was the most in need of these kindly hints to progress in diplomacy. There is not much opportunity for the newly arrived diplomat to go wrong, however, as when he entertains royalty he is compelled to turn his house over to the court chamberlain, who installs his own staff, orders the dinner, makes up the list of guests, arranges the order of precedence, and after it is all over sends the bills to the Ambassador to be paid. It is quite easy to be American Ambassador to Vienna, for no one is allowed any originality in connection with the ceremonial attached to the office, and there is little of importance to be done in the way of diplomatic business. The industry of Austria-Hungary is solidly established upon those two most important factors in all material activity, iron and fuel, and, being an agricultural country as well, her people can, in time, become more or less independent of outside sources of food supply. The blight of the country is political activity, a form of indulgence in this case that accomplishes little to the good, and exercises a most deterrent effect upon legitimate business and national growth. The geographic position of this nation would render it most

formidable in all competitive trade for a radius of many hundreds of miles. Wages are low, labor plentiful and fairly good and living cheap as compared with the more westerly countries of Europe. Fuel, timber and much of the material used in manufacturing is here in abundance and cheap transportation for the necessary import and export is given through profitably operated state railroads, navigable rivers and subsidized ports and steamship lines. Her sons and daughters who have gone abroad, are loyal to those left at home and a constant stream of foreign capital enters the country, not seeking investment, but for distribution among the needy. The temptation to expand her territory through wars and conventions is natural, but the greatest need of all for this rich and diversified empire is a satisfied people, freed from ineffective political disturbances and giving an intense application to the betterment of interior conditions. The statesmen and politicians of Austria are obsessed with a nearly obsolete conception of their country as a world power; past conditions still cast their shadows over the land, obscuring the greatness which might come from within. There can be no serious threats to the Empire from without, unless danger be courted at the gambling table of the European concert. Her dangers lie within and they are so serious as to threaten the life of a nation which could be really great if its energies were directed into productive channels. Living as these people do, in the political

danger zone of Europe and at the same time including among them many whose orientation of life is that of the Near East, they constitute a difficult problem for those who would guide them wisely. As the nation leans to the west it shows signs of a promising future, but when, in other moments, it leans towards the East, it seems to lose step with the advancing column of the great civilized nations of the world, and the future becomes problematical. In the relations of these people to the trade of the world as producers and consumers, they will develop or stand still as they blow hot or cold to the life and methods of more western Europe.

VII

ITALY'S ECONOMIC OUTLOOK

GROWING STRENGTH AGAINST MANY DIFFICULTIES.

ITALY is a country with the glory of all history behind her. She is unsurpassed in fascinating interest and romance; but her real material greatness, if she is to have any, is before her. It is an unenviable task to turn from the contemplation of a record of marvelous achievement, extending from a period back of the Christian era to times within the knowledge of the present generation, to the prosaic and material problems with which her people are face to face. It is not easy to loiter by the Italian lakes and realize that on the plains of Lombardy and Piedmont, near by, thousands of spindles are at times motionless for lack of raw cotton upon which to work, and that men, women, and children are in distress because of this.

The mournful note in the cry of the Venetian gondolier seems attuned rather to the oppressions of the Inquisition than to the pathos of a harbor which in times gone by commanded the trade of the world, and now is hardly even mentioned as a factor in the traffic of the seas. To stand on the

Pincian Hill of Rome and watch the sun go down in glory behind the dome of St. Peter's, to steep one's soul in the brooding spirit which envelops the Eternal City, seems the one thing to do when there, and it is only with the help of the obtrusive Victor Emmanuel monument, with its enormous size and incongruous newness, or the over-decorated modern Palace of Justice, that the mind can bring itself forward to the twentieth century, in which great deeds are those of utility and commerce rather than of romance and self-immolation for a cause. It is a greater temptation to wander through the ancient streets of Pompeii and picture the comings and goings of her people centuries ago than to look out upon the Bay of Naples devoid of shipping and the people of the city desolated by cholera. To bask in the sunshine of Sicily under wonderful blue skies, and let the notes of the tarantella recall the legends of old Sicilian days, is pleasanter than to think of the prostrate city of Messina and an evil condition of labor which has driven eighty per cent. of the population of the island to foreign lands.

These are the things the people of Italy must do, however, and they are doing them bravely and to the best of their considerable ability. In some ways they are better equipped for the task in hand than were their ancestors. It is true that they are untidy in large as well as in small ways, inartistic nationally and in their homes, and irreligious almost to the point of iconoclasm. On the other

hand, they are mechanically ingenious, industrious, well educated and becoming still more so, persistent in endeavor, cheerful under adversity, and possessed of high ambitions and ideals for themselves, their children, and their country.

With less than one tenth of the accredited wealth of the United States, Italy has a public debt larger than ours. That debt inevitably will soon be increased. All of it bears interest ranging from three to five per cent. With a standing army of 240,000 men on a peace basis, and 800,000 reserves, some of them now in active service, she stands well to the front as a military power, and ranks seventh or eighth in naval strength. These expensive appanages to national life are yet considered necessary to a country surrounded by not too friendly neighbors, and with nearly every province possessed of a sea-coast. All these burdens and many more are borne by thirty-four millions of people, many of whom are incredibly poverty-stricken, living in a country of limited natural wealth—in fact, a poor people in a poor land.

The history of modern Italy is comprised within the past fifty years. Bearing this in mind something can be realized of what these people had to do, what they have done, and the still greater work yet before them. It is fifty years since the work of real federation of quarreling states was begun, and it was many years later before Italy really became the unified country of to-day. For decades

her problems were so preponderatingly political and social as to necessitate a hand-to-mouth economic policy under which it is more or less of a marvel that such progress as has been recorded should have been attained. Her people are still poor, but not so poor as they were. The country is still poor, as it always will be, in those elements, especially coal and iron, upon which industrial greatness is founded. Industry and intelligence, combined with state coöperation, however, are gradually wresting from the land the answers to economic questions to which not so long ago no answers were apparently possible.

The Triple Alliance with Austria and Germany has given to her foreign politics a certain stability, though in some respects this alliance reminds one of the policy of Porfirio Diaz when president-dictator of Mexico, who, suspecting of revolutionary designs any prominent citizen of a far-away State, brought him to the capitol and placed him in a position of honor, that he might the better watch his movements and possibly frustrate suspected treachery. The feeling between Austrians and Italians is far from friendly, and in recent years many war scares have excited both peoples. That the day may come when actual conflict will take place between the two peoples is the belief of some diplomats and of many of the people themselves.

Notwithstanding the alliance with Germany, Italian statesmen gave as their reason for declar-

ing war upon Turkey that if Italy, following the Moroccan agreement between Germany and France, had not promptly seized Tripoli, Germany would have acquired the country by purchase, and would thus have deprived Italy of her present commanding position upon the Mediterranean. In this it may be said that Germany suffered not only from Italian suspicion, but incurred at least a temporary check in her intimate relations with Turkey, as the latter country held Germany to blame for not restraining the grasping hand of Italy in its reaching after African soil. When the secret history of the Italian-Turkish War is written, it would not be surprising to find that more important and perhaps not entirely political influences were at work behind the scenes than appeared to public view. The play for the trade of the world is a big game, and following as it did so closely upon the exclusion of German political interest from Morocco, the seizure of Tripoli will possibly give more or less meaning in the future to the Triple Alliance than has been customary to attach to it in the past.

Many of those who have the interests of the Italian people at heart deplored the alleged necessity for war, notwithstanding the hopes of future gains, for the immediate loss to the industry and commerce of a nation just beginning to free itself from the paralyzing effects of a turbulent political and social past is incalculable. It is not alone that millions were disbursed for military expenses, but



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Genoa as Seen from the Spianata Casteletto.



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The Harbor of Genoa, as Viewed from the Via Venti Settembre.

Italian trade in the East was seriously injured—a trade until then of enormous value, and the foundation of the recent expansion of textile manufacturing in Italy. The textile industry had not been in the best of condition for the last two or three years before the war. The high price of raw material, speculation, and a production increasing at a greater ratio than the absorptive power of the market for Italian goods, brought about a critical and anxious stage, and just at this most inopportune moment came a war which in effect dealt a staggering blow. At peace again, Italy's strategic position on the Mediterranean once more affirmed, and Tripoli, a possession of somewhat doubtful value otherwise, in her control, it will still take years to reestablish Italian wares in the favor of ante-bellum times. Not only did the war temporarily stop intercourse with Turkey and its close neighbors, but it allowed other nations to enter these markets to a greater extent, and made it all the more difficult for Italy to compete with these more strongly intrenched rivals. When all these things are fully realized,—and they are becoming apparent even to the most patriotic,—it will take skilful argument to justify this latest move in *Weltpolitik*, made so suddenly as almost to amount to an ambushade of the foreign offices of Europe.

An effective war against the plague of cholera would do more for the comfort, prosperity, and happiness of the Italian people than any possible

conflict at arms, however successful; for under its dread rule business is paralyzed, homes are desolated, ports are closed, travel restricted or impeded, and an indefinable panic of fear, with all its evil effects, hangs over many communities in reality far removed from the zone of danger. With her great army and navy, her comparatively vast national debt, her soaring international ambitions, and the brave words of her politicians, Italy resembles the typical shop of the country where a fine window-display sometimes comprises almost the entire stock of goods in the establishment. No country in the world puts up such a "front," or, in other words, does so large a trading in the affairs of nations upon so small a capital. The old saying of the Western mining country, that "outside money makes the camp," was never better illustrated; for if Italy were to be deprived of the six or seven dollars per capita which flows in annually from Italian labor abroad, and the strain of increasing population was not relieved by large emigration, needs and conditions would be brought home with overwhelming force.

Italy as a government is now diplomatically on friendly terms with all other governments. So far as practical benefits are concerned, America stands first. In America her people have found homes temporary or permanent, as the case may be, and a most profitable employment, which has resulted in an enormous increase in the number of Italians who

own their own homes, farms, or businesses, purchased with money earned abroad. The German influence has been practical, and German investment in Italy in banking and other enterprises has been large, thus accounting in great measure for the constantly increasing hold Germany has upon Italian trade outward and inward bound.

The Italian friendship with England has been strong, but close analysis seems to indicate that it has been and is largely one of sentiment, literary and artistic, and the severe criticism of the Italian troops prevalent in the English press during the first few weeks of the war with Turkey apparently greatly weakened this sentimental attachment as far as the mass of the Italian people is concerned. This criticism was stopped suddenly at its height, and apparently through the intervention of the British government; but much damage had already been done, and it will take years to live down the antagonism aroused. The Italians are proud and sensitive, and glory in the mighty history of their country. They are intolerant of criticism even if it be just, and reflection upon the character or conduct of their troops sent abroad was greeted with natural and fierce resentment. In a way they were from the beginning on the defensive morally in their prosecution of the war against Turkey, and every national instinct was quickened in their justification of their army and of the course pursued by their government. The credit of the government is good,

and through a recent reduction in interest upon the public debt a considerable further loan can be assumed without increasing the national expenditure of approximately \$100,000,000 for interest. It is significant of the financial strength of Italy that with all her handicaps and comparative poverty, the burden of interest carried by the people upon the national debt alone is greater than that of the United States or Germany, and approaches that of England.

The politics of Italy are not for the casual passer-by to touch upon. With strong socialist, republican, monarchical, cleric, and anti-cleric factions pulling one way or another, the constitutional ruler is chary of exercising any serious prerogatives. Hence, notwithstanding a crown-appointed second chamber, the real government is largely of the people, or, rather, that section of the people from which politicians come. Not infrequently a statesman appears whose abilities are quickly recognized, but the problems are great, provincial feeling is strong, and the balance of power slight one way or the other. Many a brilliantly conceived and well-grounded plan for the rapid economic development of the country has been born of the brains of Italy, but the material to work upon is far from ductile, finances are restricted, and individual power limited. Many a statesman here, as elsewhere, has seen more or less clearly what is to be done, but has failed to make more than a barely perceptible progress in

the doing. In the production of exceptional music and literature, the country stands well among the great powers. It is in the duller domain of everyday affairs that the needs of the people now lie. The gift of tongue, the wondrous national gift of voice production, and inherent knowledge and love of music, combined with the joyous temperament of the Southern races, make possible an endurance of conditions which otherwise would annihilate the national spirit shining brightly throughout this land which has been called the "mother of dead empires" and the "Niobe of nations."

The Italian Minister of Finance recently made the statement that in the three preceding years about \$220,000,000 had been received in Italy from Italians living in the United States. In the fiscal year ending June, 1910, Italians in America sent to Italy for deposit in the post-office savings-bank nearly \$40,000,000 and over \$40,000,000 was sent to Italy through the Bank of Naples and other financial institutions. Remittances through various other agencies bring the amount in a single year to approximately \$100,000,000. It is probable that an amount nearly equaling this is brought or sent into Italy from other countries by migratory or expatriated Italians. The importance of this source of revenue to the Italian people cannot be overestimated. It goes to those who need it most. It often bridges the gap between income and outgo. It takes care of the old, the sick, the minor, or the

dependent. Part of it is used to pay passages for others to foreign lands, and in many cases it is sent for the purpose of adding to an accumulation designed ultimately for the purchase of land or the carrying out of some modest business venture. In many ways it may be said to represent the margin of spending money possessed by the poorer people of Italy. The relative importance of \$100,000,000 brought into the country from the United States alone, without a corresponding outgo of raw material or the products of labor, is shown by the fact that it is equal to one fifth of the amount raised by the government as revenue from all sources. The total amount sent into Italy in cash by Italians abroad is more than one half of the gross amount received by the nation from their total export trade, and represents double the net profit derived from that trade.

The business of transmitting this money from America to Italy supports a number of large financial institutions, and it may be said in this connection that the combined efforts of the American and Italian governments to safeguard these remittances are not yet entirely successful. Conditions have been improved, but fraudulent banks and remitting agencies operating in New York and other American cities still reap a benefit of ill-gotten gains amounting annually to many thousands of dollars. Case after case of this particularly atrocious form of fraud is brought to the attention of American

consuls in Italy, and in connection with a suit brought to recover the amount of one remittance the Italian government officials testified that not only had the remittance in question never been received, but that no remittance had ever been received from this particular concern which made a business of taking money from Italians in America for the alleged purpose of carrying it to Italy in safety. It is only when the party making the remittance has sufficient intelligence or enterprise to make complaint and push the claim to a conclusion that the fraud sees the light of day. There must be hundreds of cases where men and women have toiled and saved to send money home, and after all only paid tribute to these swindlers, and through ignorance or lack of energy have accepted the loss without effective protest.

Emigration of labor is, as a general rule, a serious economic loss to a nation, and statesmanship cannot consistently give encouragement thereto; but in the case of Italy, a country with a surplus of laboring population of low-earning power and a deficiency of employment, it is looked upon as at least a justifiable expediency and not to be too severely restrained. Consequently, there has been little or no attempt on the part of the Italian government to restrict the outward movement, amounting in a single year, as it does at times, to half a million people, of whom more than half go to the United States. Italy has on her statute-books a very com-

plete and detailed emigration law which in theory discourages the intending emigrant and forbids propaganda by other countries or transportation companies urging departure. In effect, however, the law is rigidly enforced only in those regions which are designed for the protection of Italians leaving their native land. Steamship companies are required to live up to the terms of their contracts, and the sanitary conditions, food supply, and passenger accommodations on steamships carrying emigrants are carefully supervised. On each ship in the regular trade is a naval officer charged with his duty.

The real restraint of the Italian outward movement comes from abroad. To no country in any such proportion do the Italians go as to the United States. About twenty-five per cent. of those who go are migratory, and return to Italy after varying periods of more or less profitable labor. The others go to stay. The strictness of the American immigration law has done more to limit the number than anything else. At one port, Naples, over 10,000 have been rejected in a single year for reasons which would have prevented their landing in the United States. The principal cause for detention is the prevalence of trachoma, an infectious eye disease said to have been introduced into Italy from Egypt by Napoleon's army, and suffering from which no foreigner can enter the United States. Many of these rejected applicants for passage to



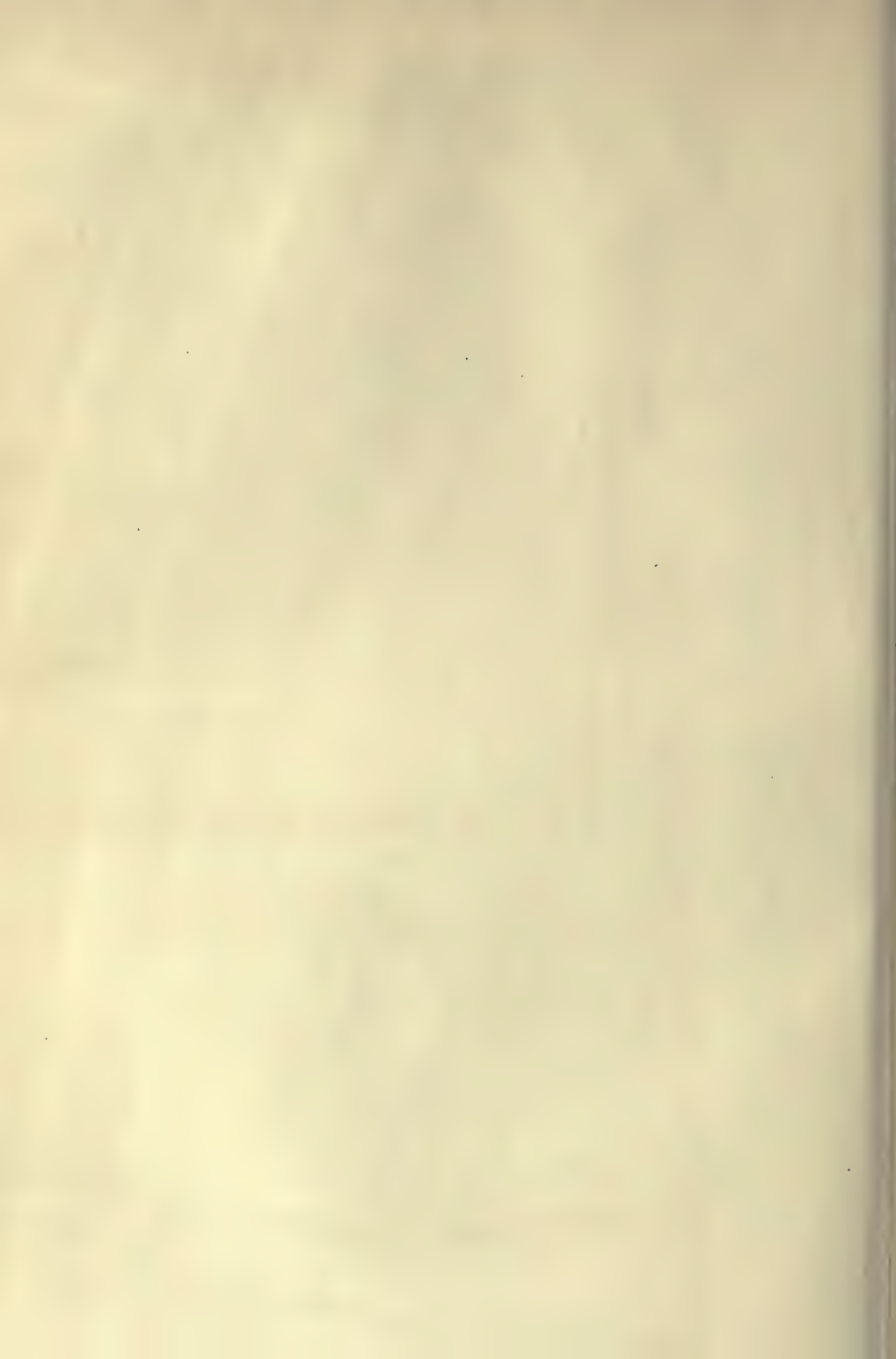
From a photograph, copyright, by Underwood & Underwood.

Lake Maggiore, Italy.



From a photograph by Brown Bros.

A Typical Italian Ox-Cart Carrying Grapes from a Vineyard.



North America have in years gone by compromised upon South America, where the immigration laws have not been so strict. Argentina has been next in favor to the United States with Italian emigrants, and there are now about one million Italians in that country, or about one sixth of the entire population. There are, in fact, as many Italian-born in Argentina as there are now in the United States, and the annual movement to Argentina now nearly equals that to the United States. It is more migratory in character, however, and about one half of the Italians who go to Argentina return after the harvest work is done. It is estimated that \$15,000,000 is sent or brought into Italy as a result of Italian labor in Argentina. Last year emigration from Italy to Argentina was prohibited by the Italian government upon alleged sanitary and economic grounds. Such a prohibition is merely temporary, though it is illustrative of the arbitrary power possessed and occasionally exercised over the population by the government.

Over two million Italians have come to the United States in the last ten years, and the movement is still on, varying from year to year with the economic conditions in Italy and the United States. This movement is not at all unintelligent, and the Italians can tell you very quickly whether it is a good time to go to the United States or to stay at home. By a most marvelous system of "wireless" telegraphy the Italian people keep themselves in-

formed as to the amount of work there is available for immigrants in the various foreign countries. Naturally the prosperity of northern Italy and the poverty of southern Italy have resulted in a majority of the emigrants of the United States being from the south, which is not a matter upon which the American nation can congratulate itself. It is the penalty the American people have had to pay for the tremendous industrial growth of the last twenty years that the demand for unskilled labor has swelled the army of immigrants, thousands of whom are undesirable additions to the social structure, and many thousands more hovering close to the line of undesirability. To apply a numerical restriction, however, as recommended by the recent congressional immigration commission, would be an economic absurdity; an educational test, also recommended, would be of doubtful utility or justice. The only logical course is thoroughly to police the incoming stream in the widest sense, and let the law of supply and demand regulate its volume.

There is little wonder that the Italian workman is attracted to other lands when he compares the scale of living and wages elsewhere with those to which he is accustomed at home. In his own cities his house is on a par with the worst tenement to be found in the slums of New York, and no such lack of sanitary arrangements would be allowed in the worse-governed American city as prevail in the largest and best-governed cities of Italy. At home the

Italian laborer works from ten to twelve hours a day for forty cents or less, and when he comes to buy his food, he finds that beer, wine, bread, cheese, and macaroni are the only articles sold at prices which would be considered reasonable in America. He pays four cents a pound for salt, from a monopoly of which the government derives over \$17,000,000 in income. If he buys sugar at all, he pays fifteen cents a pound, owing to the small production at home and the high import duty, from which the government obtains a large revenue.

The Italians are perforce economical in the narrow sense, but not thrifty in the forehanded, purposeful, and scientific manner of the French. Money is hard to get, and once in hand, there is great reluctance to part with more than is actually necessary at the moment. They have yet to learn, if they ever will, that liberal expenditure is not always prodigality. With little money at his command, the Italian's purchases are conducted upon the most expensive plan,—a pennyworth at a time,—a system which probably doubles the cost of many articles in daily use as compared with prices paid by the most liberal buyer. The Italian is constitutionally averse to paying out money, and, if money must be paid, to giving the full amount asked. This trait is observable among the moderately well-to-do or even the rich as well as among the poor. If the delivery of food supply to the homes of any Italian city were suddenly to cease without warning at a given moment, there

would be very few families in palace or hovel that would find enough to eat the next day.

The Italian loves bargaining, and all business is conducted on that basis. The sign "fixed prices," common in the large cities, is in most cases for the benefit of strangers. The native never takes it for granted that a reduction cannot be secured. This instinct is not confined to any one class. The wife of the laborer counts her marketing as perhaps the only excitement of the day, and haggles interminably for a soldo. The scenes enacted in some of the largest shops, where well-dressed women of good class engage in heated, noisy, and even abusive arguments with the salesmen, in any other country would draw a crowd and possibly the police; but no attention is paid to them in Italy. It is part of the game, and when the controversy is ended, customer and merchant relax their belligerency and part upon the best of terms. Very rarely is a payment made for a purchase by an average Italian, especially a woman, that an amount slightly less than the bill is not offered, and generally accepted by the shopkeeper. Unfortunately for the larger commerce of the country, this bargaining spirit extends generally into every transaction, and it takes an Italian to buy or sell successfully in his own country. It has also given rise to the general habit of paying commissions. Every person directly or indirectly connected with the sale or purchase of goods expects and receives a commission, be it large or small. It must

follow that all these expenses are included in the first price, as the amount ultimately received must include the legitimate profit of the original seller.

On the whole, from that time forty years ago when the troops of the federation entered Rome, the foreign trade of Italy has increased in volume, thus keeping pace with the growth of national purpose, the increase of population, and the expansion of the trade of the world in general. The total imports and exports have been as follows:

	IMPORTS	EXPORTS
1887	\$320,000,000	\$200,000,000
1896	235,000,000	210,000,000
1910	618,500,000	388,000,000

In recent years, the imports of manufactured goods have decreased, as also have the imports of food-stuffs. This change is indicative of an increase in productiveness in all lines of industry which are included under the general heads of manufacturing and agricultural. The Germans are the best customers for Italian products, and in return furnish more of Italy's imports than any other nation. The United States is Italy's second best customer, but is a weak fourth in the list of purveyors to the Italian people, furnishing little more than half as much as either Germany or England, and, in 1910, six millions less than France.

The principal imports of Italy tell the story of her economic shortages, for they are wheat, coal, iron, raw cotton, lumber, dried fish, wool, and certain

grades of raw silk. Her principal exports are manufactures of cotton, silk, and wool; fruits and nuts; hemp, olives, and olive-oil; macaroni, rice, marble, alabaster work, and automobiles. In 1890, American exports to Italy amounted to \$13,000,000. Gradually and slowly they increased until in 1909 they reached the high-water mark of \$77,000,000. In 1910 they declined to \$58,000,000, a loss due to a lean year in Italy for agriculture and textile manufacturing as well as to increased imports of raw cotton from India. The imports of the United States from Italy in 1890 amounted to \$20,000,000, in 1909 they were \$51,000,000, and in 1910 they were \$50,000,000. Of the American exports to Italy only between seven and eight million can, strictly speaking, be credited to manufactured goods. American trade with Italy will increase from year to year for some time to come, with possible occasional set-backs, the amount being determined annually by the consuming power of the two peoples in the measure of their prosperity or adversity.

The purchasing power of the Italians is small, and at best is seldom freely exercised. The nation will buy what it lacks for purposes of food or of manufacturing where most favorable terms can be secured. This will be the measure of sales by Americans to Italians. The sales made by Italians to Americans are governed by the deficit in American manufactures, minor deficiencies in natural products, and the demand of Italian residents in America for

products peculiar to their native land. There can be no sensational increase in figures either way, and no reversal of form, unless the time shall come when Italian agriculture develops to the point where the nation becomes a great purveyor of food to less fortunate peoples. That point may be reached in the future, though the difficulties to be overcome and the problems to be solved are taxing the best minds in Italy. The greatest industrial future of Italy lies in the further development of agriculture and the manufacture of textiles. The deficiency of coal is supplied in some instances by water power. Only China and Japan exceed Italy in raw-silk production, and the soil and climate favor the growing of hemp, flax, and other fibers. With the raw material, power at reasonable cost, and an unlimited supply of low-priced and tractable labor, it is apparently hard to explain the present depressed condition of the textile industry even at this early stage of development. The causes lie rather in a lack of selling power due to weak organization of the trade at home and abroad, and the superior strength of the industry in other nations in these particulars. The cheaper and more defective grades of cloth are most commonly manufactured, and as these are most generally sold in countries colonial or strongly protectorate to one or the other of the great political, financial, and commercial powers, Italian headway is checked.

Earlier in the game Italy had a large trade in

cloths to India, with great promise as to the future; but Japan has entered that market with such vigor and competitive power as to drive Italy, as well as nearly every one else, out of the business. This, by the way, is only one of the numerous and significant features of the Japanese commercial invasion of India. Its extent is hardly realized except by those who have come in contact with the Oriental foreign trader, and generally to the serious discomfiture of the former. Like all new and quickly grown industries, textile manufacturing in Italy is passing through the usual reactionary stage, where financial and administrative reorganization is necessary before the industry gets its second and more permanent wind. That it will come into its own in course of time is a foregone conclusion, and the rapidity of its real growth will then be dependent solely upon the modernized foreign trading power of the nation. At present this is not great, but it may develop with experience and the readjustments imposed by conditions encountered.

The large German investment in Italy, like most German foreign investment, originates in and is inspired by the effort to increase German foreign trade, and that it has done so is shown by the strides made in the exchange of commodities between Germany and Italy. German banks abroad facilitate German trading, and the sympathetic interest between banking and industry in Germany results in close identification of interest in all undertakings.



A View of the Harbor of Naples.



From a photograph, copyright by Allnari.

Main Approach to Venice from the Adriatic.

Much has been written and said in favor of American banks being established in South America and elsewhere. It would seem that were such a thing possible as an American bank in a foreign land, Italy would afford the best ground for an experiment as possessing unusual reasons for a successful outcome. To begin with, there is the sending of \$100,000,000 in cash annually from America to Italy. This business alone maintains several Italian institutions with large profits, and there seems no good reason why, with the advantage of a possible direct American influence over this international exchange, a goodly portion of the money at least could not have been utilized to furnish a foundation for an American-Italian bank which would have achieved notable success in itself and proved a strong stimulant to trade relations. There is no such opportunity for America in the exchanges with any other country. American money has been so busy at home, and American banking is of so pronounced a provincial character, as compared with foreign banking, that in the past, at least, opportunities have been neglected. By the time we reach the point when it is realized that foreign trading is not merely the simple process of selling goods, others will have reaped the benefit of our own adventure and become so well entrenched behind the bulwarks of established business that the problem of American foreign trade expansion will have become most serious and complicated.

The general welfare of industry, present or future, plays no such part in the conduct of American individual business as it does in other countries. The selfishness of other business communities seems to possess greater elements of forethought and prophecy than the selfishness of many of those which lead in American enterprise, domestic and foreign. The advantage or profit of the immediate moment controls American enterprise to a large extent in all foreign dealings, whereas the English, the Germans, and, in fact, all other great foreign traders, are willing to build for the future, sometimes without immediate gain and perhaps some loss. There are exceptions to this among Americans engaged in foreign trading, but they are so few as to become notable. Within the last few months an order for over \$100,000 worth of manufactured goods was lost in Italy to American bidders because they were unable to meet the system of extended payments desired by the buyers and offered by the Germans. In this particular case American goods were wanted and asked for, and there was no question as to the financial standing of the consignees. This is only a single instance, however, whereas hundreds can be cited and are known to American consuls abroad or to any one else who has marked the ebb and flow of the tide of foreign trade. The same complaints are made to-day as were made twenty years ago. Unintelligent packing, inelasticity of credits, disregard of

local or special needs, indifference to terms of contract, are notorious defects in American foreign trading. Conditions are improving, but all too slowly, for in the meantime the more complaisant merchant from Germany or elsewhere is planting his wares, establishing friendly relations, and committing these customers to the habit of buying from him rather than elsewhere. Trade breeds trade not only in the narrow sense, but it cheapens transportation, improves facilities, and creates currents upon which men and merchandise are carried back and forth in a natural flow rather than by initiative requiring courage in adventure.

That prosperity will come to Italy ultimately through agriculture is not difficult to believe. Strongly supported by textile and other manufacturing interests already promising greatness, these people have in great areas of fertile soil, salubrity of climate, and a plentiful population accustomed to the tillage of the land, the power to grow and become strong from within. At no time in the history of the world was the prospect better for those who till the earth, and in no country are the agricultural possibilities so promising of return as in Italy. In many regions in the North what can be done is fully demonstrated, and miles upon miles of charming landscape are thickly dotted with small and prosperous towns separated only by intensely cultivated fields and splendid stretches of orchard. In the South the land is as good, but the water-

supply is deficient. A few men control vast areas, and lack sufficient capital or enterprise to make them productive. The state has loaned money in some instances to remedy this condition, but as yet with no great results. A compulsory land-purchase act has been advocated, but the small farmer is wholly unable to secure water by his own unaided effort. It is a big undertaking for a poor state, but some day when military wars are no longer deemed necessary, an economic war against adverse natural conditions may be waged in Italy which will drive the malaria from the Campagna, break up the big land-holdings elsewhere, institute state-owned water-supplies for irrigation, and give to the home-seeking Italian such a chance upon his native soil as will enable him to stay in Italy with profit to himself, his family, and the state.

The seventy-eight per cent. of illiteracy which prevails in a single province, and a wage-scale of ten cents for a long, hard day of manual labor, are sufficient to show the size of the problem before the Italian people in their effort for industrial regeneration. In one way it is encouraging, however, since there is so much room for improvement that the slightest intelligent effort will repay a thousandfold. With Italy as she is to-day despite these local conditions, the prospects of the Italy of to-morrow are replete with the promise of greatness.

As a commercial rival Italy offers no threat to the United States. There is every reason for closer

and more friendly relations, if such be possible. The Italians know Americans, and like them. They know America, and look upon it as a country which has brought them unadulterated good. In times of trouble in Italy the people of the United States have taken the lead in succor, thus giving evidence of the practical spirit of understanding and good-will which exists between the two nations. Italy has not always been kind to America in the character of the people she has sent to new fields of endeavor. The Italian criminal is an adept, but he is no more welcome in his own country than he is elsewhere, and the Italian government has always shown its ready coöperation to further the ends of justice.

The trade of the United States in Italy should increase rather than decline, as it shows signs of doing. It should take on a more profitable nature than at present. As the agricultural industry of Italy increases its output, and as the demand of America for these products increases, there should be plenty of cargo both ways, which is one of the great secrets of profitable foreign trading. The United States has sent good men to Rome—men like George P. Marsh in the anxious days of Italian political reconstruction, and Lloyd C. Griscom in the days of the Messina disaster, when nearly one hundred thousand people perished. The American representatives handled the relief-work effectively and to the everlasting gratitude of the Italian

people. Here is fertile soil for friendly intercourse not only social and diplomatic, but commercial as well, which can be skilfully tilled to the advantage of both nations in the years to come.

VIII

THE TRADE OF NORTHERN AFRICA

MOROCCO, THE LAND OF THE FUTURE.

AS the Atlantic liner enters the Mediterranean through the western straits, the port rail is generally crowded with passengers on the lookout for Gibraltar, that symbol of British power in the control of the high seas. Before the great rock is reached, however, there is to be seen plainly the little Spanish coast town of Tarifa, from which in olden days the boats of its feudal lord sallied forth to demand toll of every passing ship. This action was only the forerunner of what happens now in every harbor the world over; for the word *tariff*, derived from the name of this Spanish town, has come to mean the toll demanded of foreign goods before they may enter domestic markets.

Among all the people who pass through the Strait of Gibraltar, few take the trouble to sweep with their glasses the horizon to the south of the strait. It presents a long, low coast-line, appearing and disappearing from view as its promontories or indentations are passed; but it is well worth looking at.

for the land of which this coast is the northern boundary, Morocco, has played a big part in the game of European politics in the last four years. In the near future it will hold the eyes of the world by reason of its own interest, wealth, and commerce, and it will not be long before no vessel of importance carrying freight or passengers to or from the Mediterranean will fail to make a port of call somewhere along its coast.

There is little of novelty for the blasé traveler between Gibraltar and Naples on the north side of the Mediterranean, but between Tangier and Suez, on the south, everything can be found to excite the most jaded interest, be it of ancient or modern civilization or a remoteness which up to the present time defies the white man to enter except at peril of his life. Northern Africa is one of the new-old spots of the earth now in the making of its regenerated political and economic life, and while from one end to the other it is within easy view or even reach of the casual passer-by, the repellent hand of nature and the native are raised most effectively against the foreigner, except in places where the powers of Europe have made travel possible, in many cases at a cost of lives and money beyond the scope of easy estimate.

To-day this continent of Africa is the most striking example of non-resident landlordism in the history of the world. It is a stretch of territory approximately 5000 miles north and south, and the



From a photograph by the Detroit Publishing Co.

A Market-Place in Tangier.



From a photograph by the Detroit Publishing Co.

The Entrance to the Suez Canal at Port Said.

same east and west, presenting all possible variations of climate, unlimited in the extent and range of its natural resources, inhabited by 150,000,000 people, a tenth of the earth's humanity, of all colors known to the human race, and speaking with polyglot tongue. Its civilization is ancient and modern; its barbarism the same. The ruins of Memphis speak eloquently of glories existing in the days when Europe and America were the haunts of wild men; the modern cities reflect the present-day life of the rest of the world; and yet from the jungle, distant only a few days' journey, naked savages still peep for their first look upon a white man.

In all this land and among all these millions of people not one community has yet been found equal to the task of intelligent self-government on modern lines. Hence it is that this great domain has passed, peacefully in most cases, under the sway of the overlords of the world, and the flags of far-away nations float above the homes of the people from Cape Good Hope to Cairo, south and north, and from Sokotra to St. Louis, east and west. The apportioning of Africa has been accomplished in the foreign offices of Europe by men who know naught of wind-swept plains or jungle heat, but who are experts in this great paper game, the finals of which have not been played even yet. The stake of the game is the billion dollars' worth of foreign commerce which to-day flows through the African ports, and the billions more which will materialize

as fast as soldiers and pioneers can conjure into actualities with sweat and human life the treaty agreements and understandings arrived at by the master minds in the great game.

On the west coast, under the flag of Liberia, flickers a feeble flame in the torch of liberty, but the country it illumines presents only the scene of a pathetic failure at self-government and the mockery of a republic. The flame itself is kept alive only through the jealous ministrations of the absent overlords of the adjacent lands. On the east coast, close to the heart of the desert, lies Abyssinia, with an independence purely nominal. Hemmed in on all sides by watchful foreign legionaries, her king can keep his crown so long as his own people are willing and no harm comes to foreigners or foreign interests. A false step—and the path is narrow—and the crown itself will become as a vassal to those in the North who rule intelligently, but with a purpose and a power that brooks no resistance. We can eliminate these independencies, therefore, as they exist only on sufferance, and the fact remains that the government of Africa is accomplished at long range by those who have a purpose of their own to serve. That purpose is to increase the trade of the world, with the hope that their share may be the larger.

In the past, trade has followed the flag in Africa, but now as elsewhere, in these days of open doors, favored nation treaties, and equal trading, the ex-

clusive right to buy and sell lies less within the hands of the landlord than it did of old. In the first flush of occupation, the landlord even now takes the large percentage; but to the degree in which he administers his estate successfully, so do opportunities for others present themselves, and are quickly taken advantage of. In southern Africa, and to a great extent up and down the east and west coast, it is now a free-for-all game. The same may be said of Egypt in the north.

At present France is still gathering her harvest of trade in Algeria and Tunis by virtue of military control. The same will be her lot in Morocco for a few years to come; but in this latter case the period of undisputed gain will be shorter, for the German eagle is hovering along the Moroccan coast with eye alert for opportunity to alight upon the land. Once at rest, his free participation in the commercial spoil is now assured through the foresight of those who play the game in Berlin. The French traders will then need to look well to their profits, for in this war for trade Germany has no superior in resourcefulness or tenacity of purpose. As soon as France completes her self-imposed task of policing the African coast from Tunis to Agadir, the only practical advantage which will remain to the landlords of Africa because of their holdings will lie in the fact that a great number of foreign purchases are due to foreign enterprises, and in the conduct of these the purchasing power is natu-

rally more subservient to purveyors of like nationality.

The conquest of Africa, as shown by the political map of to-day, was achieved in the first instance without an appeal to arms except in the case of the Boer republic and the Italian occupation of a portion of Tripoli. Annexations, protectorates, and spheres of influence generally follow conquests at arms. In Africa this method has been largely reversed. Under the plea of establishing stable and peaceful conditions, wars, generally of the bush-whacking variety, have followed the political map-making; but by the time the real fighting began, each one of the overlords was accredited by the world with fighting for his own already established rights and for the ultimate good of the native defenders of the soil. The latter have generally been converted into rebels or outlaws by a decree written in London, Berlin, or Paris before they fired their first arrow or gun at the foreign invader. Italy is almost the only country which has done open violence to this peculiarly African method of territorial aggrandizement, and by way of contrast her action appears brutal, inexcusable, and bungling, and, as many diplomats aver, she is demonstrating its amateurishness by the questionable success achieved. This is specially true in view of the known inherent and acquired leanness of the prize, a plucked bird despoiled of its scanty trade feathers by Egypt on the east, Algeria on the west, and the

Kongo development on the south, long before Italy moved to acquire the prize presumably for her own exclusive profit.

Of the total foreign trade of Africa, fully one half is conducted through the ports of Egypt, Tripoli, Algeria, Tunis, Morocco, and the Kongo, and in these countries will take place the greater part of the development of the future. In south Africa development of industry will proceed, but the pace has been set, and for one reason or another it may be added that, contrary to the expectations of the world thirteen years ago, it is not rapid. On the other hand, in northern and specially northwestern Africa, the gates are not yet fully open, the trail of the trader does not yet reach far into the hinterland, and from what is already known of the possibilities, the next twenty-five years will witness an exploitation of northwest Africa which will produce astonishing results. International effort is more concentrated than in years gone by. The unknown spots on the earth's surface have shrunk to within comparatively small and well-defined boundaries. The eager trader, looking for new markets, is now early on the ground when the way is clear. Trade development in the twentieth century is far more rapid than ever before; the attack upon a new field is sharper, fiercer, more international, and more overwhelming. The new field soon becomes an old one, and quickly makes the pace natural to its geographical, social, and economic limitations.

The part the United States has played in northern Africa is not considerable. The first official appearance was about one hundred years ago, when American naval vessels chastised the pirates on the Mediterranean coast. Our last was shortly after 1900, when for some reason yet to be discovered the United States Government sent a mission to King Menelik of Abyssinia. The less said about that mission the better. The chief commissioner met a tragic death before Africa was sighted, and from that moment the mission trailed off into nothingness, its disappearance marked by a succession of inexcusable and appalling diplomatic blunders, to say nothing of an attempted duplication of the mission by one bureau of the same government department acting independently of the others. The foreign offices of the overlords of Europe were considerate, and hid their amusement at this amateur performance under the cover of a sympathetic demonstration.

As a nation holding a neutral position in the affairs of all continents except the Americas, the United States has been looked to on several occasions to furnish experts to help out young or old, but weaker, nations struggling in the coils of inter-European jealousies. Almost invariably Washington has made the mistake of taking the request at its face-value. Experts have been sent, the best in their line in the world, men full of enthusiasm for the task set before them, but, after all, it was found

that knowledge of the big game was even more essential than knowledge of finances or tariff, and the experts, through no fault of their own, have shortly trailed back home again, their only accomplishment having been, unwittingly perhaps, to eliminate another "exceptional American opportunity"; and again the foreign offices of Europe have condoled and regretted the necessity, etc., and the old hands at the game have smiled among themselves at the ease with which the "open door" had been closed without a sound of protest from its hinges.

Of the billion dollars in foreign commerce which ebbs and flows through African ports, about half is to be found in northern Africa, distributed as follows:

	IMPORTS	EXPORTS	TOTALS
Egypt	\$119,818,000	\$103,559,000	\$223,377,000
Algeria	95,184,000	76,104,000	171,288,000
Tunis	23,744,000	18,172,000	41,916,000
Tripoli	2,667,000	1,080,000	3,747,000
Morocco	11,875,000	10,011,000	21,886,000
	<hr/>	<hr/>	<hr/>
	\$253,288,000	\$208,926,000	\$462,214,000

The trade of Abyssinia, the Kongo, Liberia, and other political divisions which might be included in what is known as northern Africa, does not amount in its total to a sufficient sum to make any important change in the significance of the above figures. With an area of, say, two and a half million square miles and a population of fifty millions, the density

of population is about twenty to the mile; but this calculation is valueless, owing to the vast areas virtually uninhabited. The real density ranges from the 931 to the square mile in the lower valley of the Nile to that found in the great stretches of desert, where in the course of a week's travel one may meet perhaps a single caravan of Bedouins with their scanty outfits.

Up to the present time the foreign commercial intercourse of these north Africans has been largely confined to Europe, and this state of affairs will continue for some time to come. There are two reasons for this: first, because of the flags of the European powers, which float over this country and which are emblematic of the administration control within the far-flung shadows they cast on the earth about. Second, the Europeans are better traders than others, who would be their competitors if they knew how to go about it. Of the quarter of a billion dollars and more worth of merchandise the people of north Africa buy from foreigners, the United States furnishes about one per cent. Of the two hundred millions or more in goods sold abroad by these same people, the United States buys considerably less than two per cent. In this last statement is found another reason as well why the trade of the United States is so small in northern Africa. Freight both ways is a requisite of international trade. Commerce is not so much a matter of gold as it is of barter. He who buys can

sell, and so long as the buyer and the seller are one and the same person, he will dominate the situation. This is one of the stumbling-blocks in the path of American commerce abroad. American traders go with their hands full of goods to sell, but with ears closed to the offers of other wares in exchange. Our home markets do not want them, hence we will not buy them. The European will take them even if he has later to find a second market to dispose of what he cannot use at home. It is admittedly easier for him to do this, however, because of the geographical location of his own base of operations.

Africa sells food-stuffs and raw materials. She wants staple manufactured goods and novelties in exchange. The figures of her trade show that she can buy little more than the equal of what she has to sell; hence the advantage to the seller who can distribute with one hand and collect with the other. It is a transaction with two profits, so that both margins can be made smaller, and competition with the single-handed salesman is made easier.

The more primitive these African peoples are, the more they are dependent upon and controlled by the administrative power. The more developed the country and easy of access, the more enlightened and advanced the people, the wider and less restrained is their market. To Egyptians and Algerians the people of the United States sell goods of the kind imported to amounts reaching into seven

figures, while virtually nothing is sold in Tripoli, and only a few thousand dollars' worth in Morocco, countries credited with at least two thirds the population of the first named.

The entire civilized world is vitally interested in the progress made by the European powers in their development of trade in northern Africa, for the time is coming when the benefits to the outside trader will not be apportioned according to nationality, control, or interest, but will be measured by competitive power alone. To bear this in mind is manifestly the greatest feature of modern statesmanship in the making of commercial treaties, for it is necessary to safeguard the future so that when the door opens by reason of pressure from within, there shall be equal chance for all. It was an insistence upon this principle which nearly brought war to Europe through the making of the Moroccan agreement between France and Germany. The latter won her point; she won it not only for herself, but for all others, including the United States, and the importance thereof justified the seriousness of the *pour-parlers* which preceded the actual agreement.

It might be said with apparent justice that those who have borne the burdens of the pioneer should have preference as their reward, but such is not the lot of pioneers in these days of the new internationalism. The commerce and finance of the world is assuming a solidarity that admits of no nationality or preference, no matter what apparent claim

one or another people may have upon it by reason of pioneer work in the earlier stages of development and organization.

Not long ago an English acquaintance of mine stopped me in the street in London and asked me what I thought of things in Morocco. He was a man of average intelligence and information, and in business for himself in a small way. The German war-ship *Panther* was then at Agadir, and there was much talk concerning this bold move on the part of the Kaiser.

"If I was not old," he said, "I would go to Morocco. I was there fifteen years ago and saw something of the country. There is nothing between the valley of the Nile and Cape Verd that will compare with the wealth and productiveness of Morocco, and with opportunities for trading when Europeans are free to come and go in safety. This Agadir business is the beginning of new days for the land of the Moors. It is a very different country from what we know as northern Africa."

That is the opinion of "the man in the street" in Europe, and it is the knowledge of the few venturesome traders who have prospected the country as widely as the Moors have permitted. They are a most exclusive people. Four years ago the American consul at Tangier wrote to his Government:

Despite the many centuries of life, Morocco has not been developed; it is almost virgin territory. Its forests and mines are intact. No railroads, no electric transportation,

no telephones, no telegraph, the interior a wilderness, where even the sultan dare not go, and eight to ten millions of people are living in primitive style. Morocco has a choice climate, fine scenery, great wealth of earth and sky, vast supplies of precious metals, and the soil has never been more than scratched by the crude wooden plows of the people—a soil that will give them three crops a year. There are warm winds and sunshine for 300 of the 365 days of the year; 300,000 square miles of fertile farm and grazing land broken by majestic mountains, crossed by rivers, and bounded by the sea on two sides. There are vast forests and valuable shrubs, and the sea is generously supplied with fish.

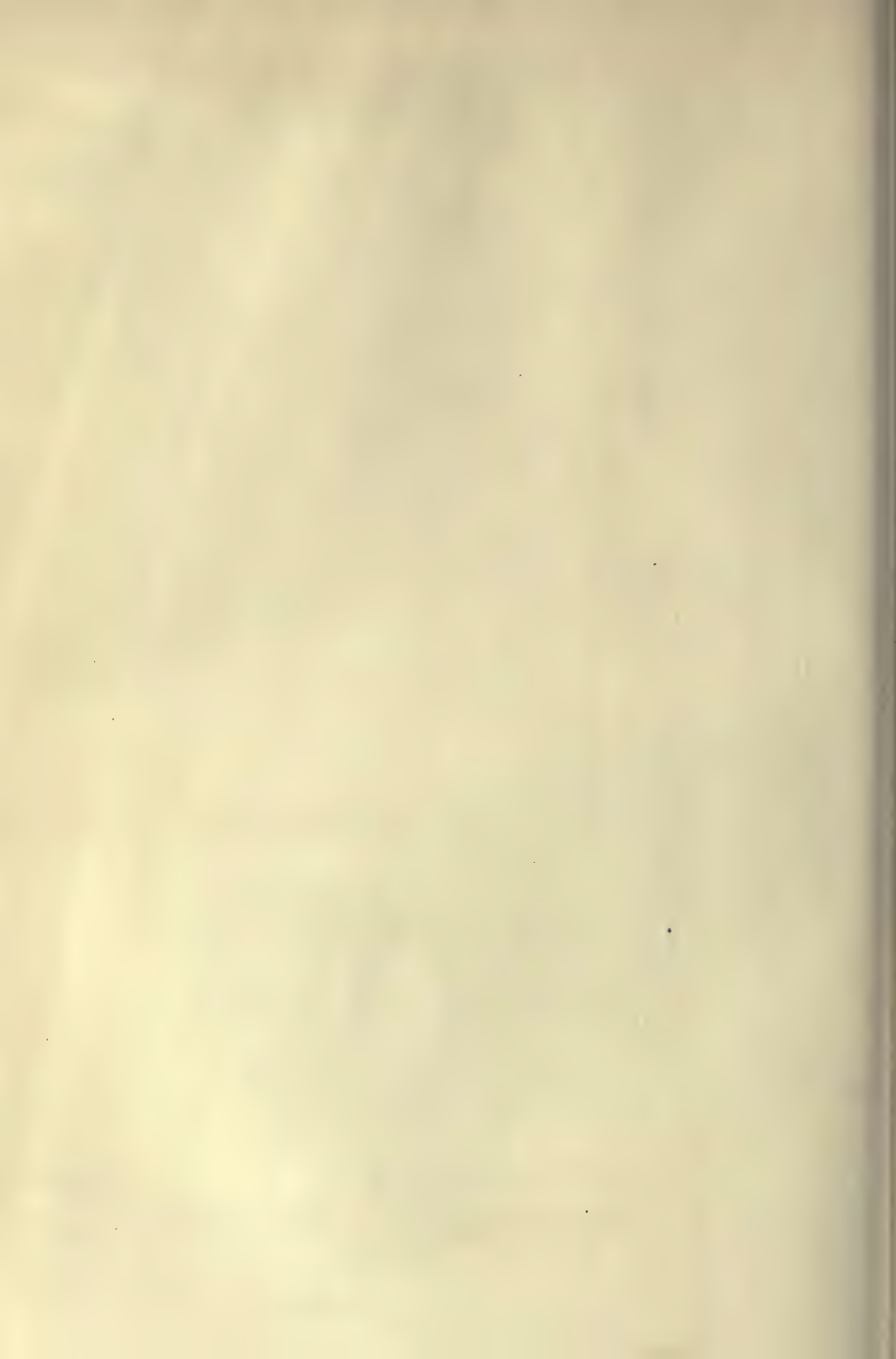
Foreign adventure has obtained a slight and precarious foothold along the northern and western coasts, where there are excellent harbors. Tangier is the best known to the north, while on the west lie El Araish, Rabat, Casablanca, Mogador, Mazagan, and Safi; but the influence of these places extends barely forty or fifty miles inland. The great inland Northern trade capital Fez, and Marrakesh to the South, are as remote from foreign influence as the customs of the people differ from those of Europeans. Notwithstanding all this, the foreign trade of Morocco last year was over \$20,000,000, or seven times that of Tripoli, for the possession of which two European powers calling themselves great are now at war.

The isolation of Morocco to the day that the French established themselves in Fez, is due absolutely to the self-sufficiency and hostile pride



From a photograph, copyright, by Underwood & Underwood.

Leopoldville on Stanley Pool (Kongo River) This is the most important trade centre of the Kongo Free State.



of the Moors, for their country lies in sight of Spain and is only three days from London. In the midst of the stirring affairs of the modern world Morocco has remained in truth a *terra incognita*. The pressure has been too great, however. Such isolation could not last; the advance-guards of the trade army of the world have penetrated the barriers, and with eyes glistening with eager lust of gain have told of what lies beyond. The future is no longer a matter of doubt. The French soldiers have bivouacked in Fez, and changes are coming to Morocco even beyond the wildest fears of the warlike and gloomy-eyed Moors. As a rule, strong foe makes a strong friend. In the degree with which they have so long successfully fought modernization, it is probable they will in time accept the inevitable with equal strength of character, and, aided by the natural wealth of their land, become the strongest and wealthiest of all the countries that bound the continent of Africa on the north, not excepting even that most limited but most fertile of all places on the earth, the valley of the Nile.

It is in Egypt that an effective demonstration has been made of what can be accomplished by an intelligent landlord on a great estate. Here was a country the people of which were living on its ancient monuments and the erratic rise and fall of a great and uncontrolled river. These people have only just learned to laugh, and how could they have done so before, living as they were in the shadows

of countless centuries of slave-driving by rulers who took everything from them and did nothing in return?

“What do you think of the British rule?” I asked an Egyptian farmer.

“We pay our taxes only once now,” was the reply he made.

But in that he summed up the evils of past administrations and one of the greatest benefits of the present. The Turkish flag flies over Egypt, but the Khedive is an intelligent man, so he does not take his position very seriously. “England can have Egypt any time she wants it,” say the European diplomats at home. Those on the ground say: “England has Egypt now. Why should she take it twice?” That is the truth. England has Egypt. The Egyptian nationalists would like to have it for themselves, but they will not get it as things are going now. The noisy and talkative politicians who crowd the cafés of Cairo can plot and scheme to their hearts’ content, but there is a force at work apparently beyond the power of comprehension. Mistakes are sometimes made through the stupidity of subordinates, but a quiet and commanding impulse is behind the finances of the country, is applied to the industrial regeneration of the people, and the army its complaisant ally. Millions of money have been spent to regulate the Nile, and millions more are constantly being added to this fund to bring the land up to the highest point of its mar-

velous productive power. Here it must be watered and there drained. Thousands of tourists annually visit the monuments and bewail the gradual disappearance of the temples of Philæ as the crest of the Assuan dam rises higher and higher; but for every foot it submerges the temples, it adds thousands of acres to the green fields of Egypt, the granaries of which are filled to running over. It is a symbol of the decline of the old and the coming of new régime.

Those who come from the centers of civilization elsewhere find it hard to reconcile themselves to this new order of things, for the treasures bequeathed by ancient to modern Egypt are like unto no others in the world, a wonderful and enviable heritage; but they were built at the expense of the people of long ago, and now, when Rameses II lies in the Cairo museum, the descendants of the starved and whip-driven slaves who built his monuments are coming into their own under the paternal eye and assisted by the guiding hand of a new civilization. It was not without a sigh, however, that this Egyptian king yielded to the spirit of the present, for, as the story goes, when his mummy was taken from its tomb, the wrappings undone, and the remains placed in temporary position in the museum, one of the horrified attendants saw him slowly raise his arm, as if in protest, from the position it had occupied for centuries. The curator attempted to quiet the fears of the attendant by a scientific explanation as to

change of temperature and humidity causing a relaxation of the time-bound muscles, but to this day the more superstitious move with cautious tread in the neighborhood of the glass case in which rest the bones of this builder of wonderful monuments to himself, his wives, and his patron gods. In all of Egypt there is nothing left to tell of anything done for the people. From one end of the land to the other monuments good, bad, or indifferent were built to the glorification of the living when they should come to die. "Tombs of sorts," as a weary tourist expressed it, but tombs they are, and as the history of Egypt unfolded itself they proved to be in reality more the graves of the hopes and aspirations of a nation and of the hundreds of thousands who died in the building than of the rulers they were meant to glorify. It was not until the Romans came fresh from the oratory of the Forum that a temple was built to the gods of all the people; but even these are few and far between.

Far out in the desert on a still and glorious night I talked with my Arab guide as to the stars and his knowledge of the trail through their guidance. He was struck dumb when I told him I had traveled countless miles in other lands by the same guiding lamps that then looked down upon us.

"I knew you had a moon," he said, "but I did not know it was the same moon," and as I looked far out into the silvery desert with its fleeting cloud shadows, and the remoteness of all things elsewhere

was borne in upon me, I almost believed with him that it was a moon that shone for Egypt alone, and that he was wise and I was ignorant; for this land, its history, its people, and their problems are like unto no others.

To stand on the edge of the ocean of sand that reaches to the westward hundreds upon hundreds of miles and view the brilliant green meadows of the Nile Valley at one's feet, watered as it is by the floods generated in the tropic torrents which fall somewhere in the heart of darkest Africa almost beyond the ken of man, is to realize what water means to the twelve million people of Egypt in their struggle for existence. Without it, land is to be had for the asking; with it, the most fertile farm in the corn belt of the Mississippi Valley is to be bought acre by acre, for half the price.

The foreign commerce of Egypt has grown apace as the country has come under the sane and regulating influence of the Anglo-Saxon. The landlord has reaped, and will long continue to reap as his reward, a golden harvest of profitable trade and investment; but he takes none but a natural advantage to himself. The German, the American, the French, and all the other traders of the world are free to come and go and to compete in supplying the wants of Egypt. The growth of the Egyptian trade of other nations has been coincident with that of the British, and the United States trade is no exception to this rule.

In 1911 the United States imported from Egypt \$21,700,000 worth of merchandise, or about one sixth of what Egypt has to sell. In the same year the United States sold to Egypt \$2,114,000 worth of goods, or about one and a half per cent. of what was purchased. These figures of import and export show a gain in gross amount of nearly one hundred per cent. over the commerce of two years preceding. The producing and absorptive power of the Egyptian people is steadily increasing. They have yet far to go before they reach modern standards, but since their release from the weight of ungoverned Turkish misrule they have shown a recuperative power almost equal to that of the wonderful soil upon which they live. Their trade will increase from year to year, and as it grows larger, the share of the overlord, the sultan, and his sub-tenant, the Englishman, will decrease in proportion, and thus it is that in these days of internationalism the welfare of one community is the concern of all even in a most narrow and practical sense—that of markets for the handiwork of man.

On the northwest corner of Egypt is the Gulf of Solum, an indentation of the Mediterranean. A reinforced garrison of Egyptian troops officered by Englishmen is quietly camping there to see that in the excitement of the Italian-Turkish War the eastern boundary of Tripoli shows no sign of advance beyond a certain point. West of that boundary-line two non-resident African landlords are at war

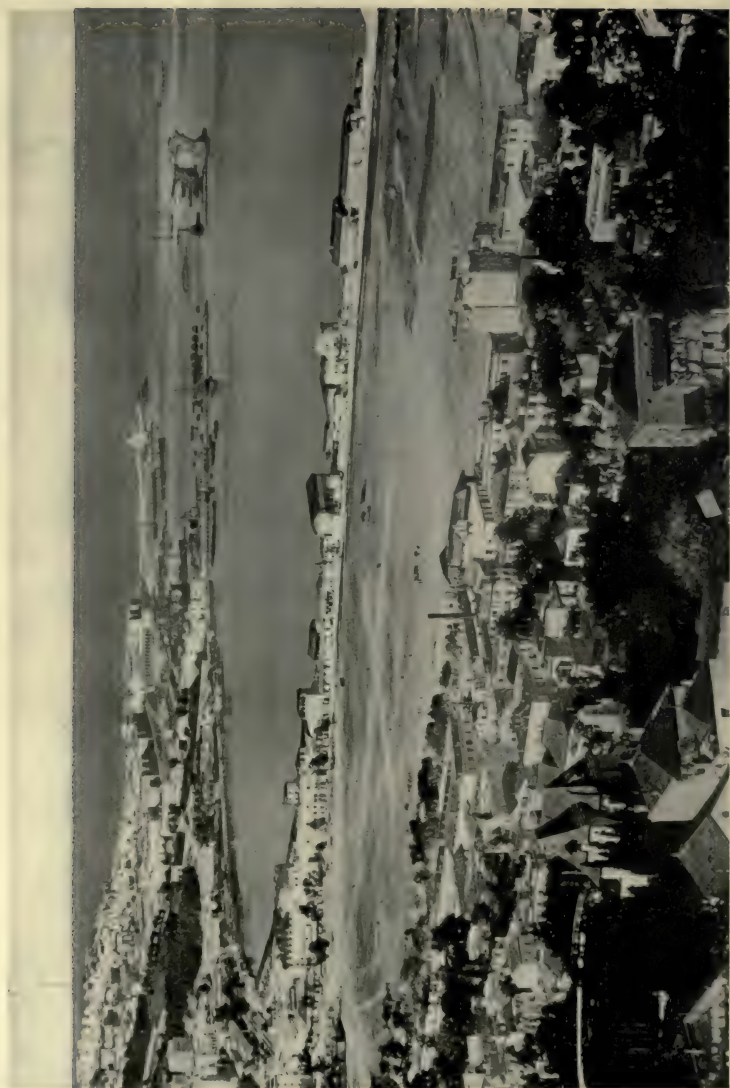
for the possession of Tripoli without consulting the wishes of the one million inhabitants of the land, or the millions of their fellow-Mohammedans to the south, west, and east. Turkey was the landlord in possession, Italy the aggressor. The bird in hand this time was loosely held, and will probably be lost to its erstwhile captor; but the bill of damages, only a small installment of which has yet been paid, to be assessed against the invader will be heavy and the subsequent retention expensive, unsatisfactory, and unremunerative.

To the onlooker the prize does not seem to be worth the price. Setting aside all high-flown expressions such as "control of the Mediterranean" and the like with which the Italian politicians keep up the spirits of the people at home and justify the conduct of the war, expressions which mean nothing, owing to their lack of foundation in truth, the test as to the wisdom of the conquest of Tripoli narrows down to the value of the land itself as a colonial possession.

Tripoli contains over 400,000 square miles of territory on which live about one million people, a population of two and a half to the mile. Most of these people, however, live on a narrow strip along the 1100 miles of coast-line, and the rest find abiding-places in scattered groups among the oases of the desert. As a matter of fact, the entire population of the country lives upon 19,000 square miles, or about one twentieth of the territory of Tripoli.

Along the coast, on which there are no very good harbors, with the possible exception of Tobruk, is the low plain of Jefara, about forty miles wide. To the south of this rises the Jebel range of hills, and still farther south extends a plateau over 40,000 square miles in extent, absolutely barren, rocky, and uninhabited. This reaches to Hammada-el-Homra. To the south of Hammada lies the land of Fezzan, a collection of oases in a vast region of sand-dunes and desert. To the eastward lies Tobruk, whose people trade with Egypt. Still on toward the Sahara is Murzuk, formerly the great caravan station between the Mediterranean and Lake Chad, but now, since the trade of this part of the world has been diverted from the north to the mouth of the Kongo, the northern terminal of the great caravan route. Only three European travelers have visited Murzuk in the last twenty years. The green banner of the prophet flies throughout this country, and the brotherhood of the Senussiyya is bound together in anti-foreign tenets. Its headquarters are at Kufrah, in the Libyan Desert, and it sends a mission of its own to the sultan at Constantinople, so independent of the government of Tripoli does it regard itself.

There are legends as to the richness and prosperity of Tripoli in the time of the Roman occupation, but that this prosperity has been grossly exaggerated is now well known. The sand-dunes have been creeping over the coastal plain of Jefara until



Photograph by the Detroit Publishing Co.

they have reared their dreaded crests within sight of the city of Tripoli. The sultan's nominal authority has extended even to the Tuaregs, near Ghat, but with the advent of Europeans in the Niger Valley and Hausa Land, the southern portion of Tripolitania, might as well be across the Sahara Desert, so far as the northern coast is concerned. And Tripoli is no longer the gateway to the Sudan or to black Africa. The trade that formerly flowed north and south now goes to Egypt on the east or to Algeria on the west, or, in some instances, to the west coast of Africa.

For the last ten years this quiet but effectual disintegration of commercial Tripoli has been going on until there is little left for the new landlord even should he succeed in establishing his rule and secure acknowledgment thereof. There are no mineral resources, no possibilities in agriculture, and the desolation of the vast, unfertile, rainless area daunts the most intrepid adventure. The problems of centralized government are many and apparently impossible of solution, certainly by the Italians, who know naught of colonial science. To the north the city of Tripoli, with its 50,000 population, is an inharmonious community of Jews, Berbers, Arabs, Maltese, and Levantines, with probably fewer than two hundred genuine Italians among them. Hundreds of miles to the south, separated by rock and desert now seldom traveled, are the Tuaregs, where the women own all property and take plural hus-

bands much for the same economic and social reasons that the Turk has several wives.

Naturally the exports of a country like Tripoli are of the most primitive character, exporting grass, hides, fruit, and a few other things that are found wild or are grown in limited quantities. Her imports are food-stuffs, cotton, and woolen goods, fuel, iron, and steel. Of the exports, half a million dollars' worth find their way to the United States, and in return a few thousand dollars' worth of cloths and other manufactures are sold. Of the total foreign commerce, amounting to less than five million dollars, the United States participates to only a fractional per cent., and there is little hope of improvement in the future. English merchants do the largest part of the trading, with France second, Italy third, and Turkey fourth, and both exports and imports hold in about the same proportion as to destination and origin.

It is a relief to cross the Tripolitan border into Tunis and Algeria, the French possessions. Here everything has been done by an intelligent landlord to develop the country and encourage the industry of the people. With an area only half again as large as Tripoli, and even so the larger part desert, a population seven times as great finds a living and occupation. A foreign commerce of 225 million dollars nearly equally divided between export and import slightly exceeds even that of Egypt, and the exchanges of the United States, although a com-

paratively small trader, amount to nearly two million dollars' worth of goods. The administration of Algeria and Tunis has cost France many millions of francs, but the task has been well done. In return, however, the people of France have benefited largely, for they supply over eighty per cent. of the imports of these African possessions, and take about seventy per cent. of the exports. The United States sends machinery, oils, and tobacco, and takes the raw products of the country in exchange. Trade is on a stable and safe basis, and the consuming power of the country is increasing rapidly in the direction of manufactured goods and the conveniences of civilized life.

It requires a certain form of genius and a certain temperament to be a successful landlord, and this is even more requisite when governing a far-distant community of foreign people. These qualities have been demonstrated by the French in their control of northern Africa, and, it may be added, to the surprise of the rest of the civilized world, for in their government at home the French people have not shown equal genius or been as successful as they have in Africa. To allow the exercise of autocratic power is perhaps the best way to utilize the virtues of the French temperament.

In general the African continent is in good hands, English, French, and German alike. The natives, as a rule, get justice; their religions and their customs are respected, and they are benefited ma-

terially, socially, and even politically as dependencies. In the days of a British agent in Egypt who believed in a larger degree of local government than had been allowed by his predecessor, some confusion resulted and things got rather out of hand. Proof was promptly given in the trouble that quickly arose that this was a mistake. When Lord Kitchener arrived on the scene he had many loose ends to pick up and weak spots to reinforce, but he was not long in the mending. His administration has been notably successful so far, and with all the firmness with which he is credited he has also developed a tact not expected even by some of his greatest admirers. He came to Egypt at a difficult time, and to keep his Mohammedan friends neutral, which he has done, while their coreligionists are waging what they term a "holy war" against the Italians to the west of Solum Bay, is not easy. It is told of him that shortly after the beginning of the Italian-Turkish War some of the Arab chiefs of Egypt and the Sudan were keen to go to the assistance of the Tripolitans, and signified their wish to the British agent. Lord Kitchener replied that of course they could go if they wanted to, but whereas they were now free from compulsory military service in the Egyptian army, it would be impossible for him to overlook the value as soldiers of Arabs who had served in actual modern warfare, and that on their return he would have to draw upon them for military service. As this freedom from

service in the Egyptian army is one of the much-prized Arab privileges and exemptions, the sheiks, recognizing the possibilities involved, promptly gave up their idea of participating in the war, and have remained neutral, at least so far as not to render assistance to Tripoli openly.

In all northern Africa no invader has attempted suddenly to change the customs of the people, and the local religions have been recognized and their tenets respected. Italy did not seem to profit by this example, for her troops have shown scant regard for the feelings of the Mohammedans, and it will take many years to live down the situation created by the violation of mosques and other injudicious and unnecessary vandalism. Northern Africa would not be what it is to-day if the same policy had been followed by others, and it is fortunate for the world at large that the Italian attack has been made upon the most worthless and most sparsely inhabited part. Less harm can be done there than elsewhere, and with the firm hand of Egypt to the east and France to the west and the physical limitations to the south, the evil effects of this ill-judged attempt at conquest may be confined within present boundaries.

The United States has entered into the field of world politics too late in the day to secure trade by other than competitive power. The earth is now mapped out, and few boundaries will be changed in the future except as it may be deemed wise or ad-

vantageous to create more or less self-governing communities. Participation in the financing of new or new-old governments will prove of little avail, for money is now international, and the New York firm which underwrites its allotted portion of an international loan has its branches or even its parent house in Europe, and cannot use its power to draw trade to America without giving offense elsewhere. It really makes no difference in modern times which nation furnishes the money to take up a large issue of securities, for in the end they find their resting-place where there is money willing to be tied up, and this is generally in France, England, or Germany. A debtor nation like the United States, especially one whose people can find active employment for surplus funds at more profit than is offered by government loans, cannot be rated as an international money-lender.

The demand for an international or equal participation in any great money transaction comes in reality not from keen and equal competition for the privilege of investment, but from the machinations of international money, which desires the backing and security of a harmonious group of powerful governments to enforce its terms and insure the collection of the debt without friction on the day it may become due. With this backing the underwriters are assured of their great profits as it decreases the difficulties of unloading the securities upon an investing public at an advanced figure.

The modern international loan carries with it no special trading rights, for all governments must now insist upon and obtain for its citizens abroad treatment like unto those accorded other nationalities.

To reduce the cost of production, facilitate the shipping of goods, and meet the local needs of foreign markets, or in other words to conduct foreign trading on an intelligent and scientific basis, is the one hope of the people of the United States in the world expansion of their industries and the profitable employment of labor. In the long run no nation stands a better chance of holding its own by reason of the self-contained character of material resources, the climatic stimulus to work and invention, the so-called unsophisticated enthusiasm of the people for practical accomplishment, and the mixture of racial strength in the make-up of the community. When the home market strikes a balance between production and consumption, and a surplus for export can be relied upon every year, it is reasonable to assume that the same genius will be applied to conquering the foreign market that has been developed at home. In no place in the world is there opportunity for greater gain for American trade than in Africa even to-day, while the future presents no such limitations as are met with in more highly commercially developed areas.

IX

JAPAN'S COMMERCIAL CRISIS

HER PROGRESS IN TRADE THREATENED BY LABOR AGITATION.

THE destiny of Japan lies within the confines of the Far East. There she is dictator and will continue as such until the time, if it ever comes, when reconstructed China, with her far greater wealth, population, and stronger racial character, disputes the power of her island neighbor. There is nothing at present to curb the ambition of the Japanese people except limitations that lie within themselves. Russia far to the north, England still farther to the west, the United States remotely to the south, alone mark the possible boundaries of dominant Japanese influence and profitable trade expansion. By force this position has been achieved and will be maintained.

It is for no reason of vague fear of attack that nearly half the revenue of this debt-burdened and heavily taxed people is applied to the building of an army and navy: it is because of a purpose recognized and endorsed by all. In the carrying out of that purpose Japan already stands fifth, and perhaps higher, among the naval powers and seventh

or better among the nations of great standing armies. Her forces are doubly strong, for they are concentrated. No far-flung colonies or naval bases divide her fleet; no colonial garrisons of moment scatter her soldiers. It is an efficient navy; it is a strong, well-officered and well-equipped army. In this direction the modernization of Japan has out-run all other features of the nation's life. It is as a promise of what is to come later when under the protection of modern guns on sea and land the Japanese will have put in order the house which lies behind this formidable façade.

There is no intention or hope of distant conquest. There will be no war upon the United States, for, in the first place, the whole life of the Japanese nation is at present and in all probability always will be dependent upon foreign commerce, and the people of the United States buy a third of what is sold from Japan. In the second place, and more potent even, is the recognized fact that such a war would be a stalemate for both sides, with nothing gained and much lost. The Japanese would take the Philippines and Hawaii, and there effective aggression would necessarily end. In return, the United States would retake Hawaii and the Philippines, and with that effective counter aggression would likewise end. The game would not be worth the candle.

To the north Russia is now a more profitable ally than antagonist. Japan needs no more territory

to the north than she can secure by diplomacy, and she finds most useful a friendly guardian of her interests there, no matter what the motives may be to inspire such coöperation. No other nation seriously threatens her. Hence her dominance of the Far East, hence the restriction of her ambitions to their wide but natural boundaries.

China lies supine. It will take years and decades of years to weld her people into a nation with strongly defined and enduring domestic and foreign policies. In the meantime a hundred thousand Japanese swarm over the form of the prostrate giant. They travel the paths and navigate the rivers, laying the wires that reach to Tokio, securing control of raw-material supplies, and making a lodgment for Japanese influence and Japanese wares. Already they have driven American traders from many important strongholds. A few years ago the greatest sphere of British influence in China was the Yangtse Valley, with Shanghai as its entrepôt. To-day the Yangtse Valley is more strongly Japanese than British, and this is the unwilling admission of British merchants, and not the statements of jealous rivals.

The inevitable and final test of strength between Japan and China will come later; but that event is sufficiently remote to remove it from consideration in scanning the intensely interesting and dramatic situation which has come about through the rise of Japan to the position of dictator in Eastern affairs.

As soon as it became apparent that considerations other than those of interest and security entered into the matter of the financing of new China, Russia, and Japan, the latter, notwithstanding her national poverty, demanded recognition and equal rights, and, what is more, demanded special consideration by reason of territorial interests; and their claims were acknowledged. Not one of the great powers is disinterested in Chinese affairs except possibly the United States, and the interests of the American people rest only in maintaining that pleasing fiction of Oriental trade, the "open door." It might with greater truth be called the open window, for it affords a most attractive vista of possible commercial advantages without guaranteeing entrance to the enjoyment thereof. That rests upon other things than the academic pronouncements of governments. England, with her determination to maintain the neutrality of Tibet; Russia, with her hands on Mongolia and Manchuria; Japan, with Korea and Manchurian interests and her keen solicitude concerning all things Chinese—all have a practical and strenuous part to play in the great game of the East, compared with which that of the United States is one of a mere looker-on, and her voice in Chinese affairs is as one crying in a wilderness.

An opportunist, Japan has strengthened her external forces before her people as a nation have come to a realization of what it means. A group of

strong men with autocratic power and wise in their knowledge of the world have seen to it that in all matters pertaining to outward contact Japan is fully up to date, and there they will hold them against the day when the people will evolutionize to the standards set for them in their national affairs. The late emperor, although to the date of his death personally adhering to the customs of old Japan, was plastic in the hands of these advisers, and great glory came to his reign thereby.

The evolution is proceeding apace, but has yet far to go. With a literature which dares not treat of elementary social forces, with an art which has yet failed to depict the passions of the soul, with music which fails to incite except to battle or to sensuousness, and with a stage hampered by all the restrictions which lie upon literature, art, and music, the forces at work upon the nation are from without rather than from within. Not alone in industry are the Japanese imitators of others, but in everything else, and the only doubt as to the ultimate greatness of their future lies in the fact that hitherto in all history when her gates have been closed to the world, as they have been from time to time, these periods of exclusion are coincident with periods of stagnation and retrogression. No individual or nation was ever led into greatness. It comes from strivings from within, and the Japanese have as yet failed to show more than a marvelous ability to follow in the footsteps of others.



Japanese Fishermen and Their Fish Baskets.



A Business Street in Yokohama.

An interesting example of this is the plan now under serious consideration to establish by statute a national religion, the form and substance of which shall be determined by self-constituted governing authorities.

This marked trait in national character will not, fortunately for them, militate so strongly against their manifest destiny in the East as it would in the West, for the East has yet long to follow before it can lead in affairs of the world to-day. Militarism reigns supreme in one class, commercialism in another. Woman has no place in the much-talked-of and boasted "bushido," or self-sacrifice of the man, and the Japanese house is still so constructed as to drive the man elsewhere for peace, study, sociability, or pleasure. No national religion holds the people together, irreverence marks their attitude toward their gods, and the coarseness and sordidness of Japanese life as lived by the masses is apparent when stripped of the flimsy, though wonderfully attractive, screen of elaborate courtesy and appreciation of the beauty of nature in its minor display. As when the man himself is stripped of his kimono, the result is ugly beyond belief to those who have been quickly charmed by all this graceful and flowing robe might seem to mean.

With no Western people can the Japanese form an alliance or even an *entente* which will become deep rooted in the hearts and minds of the people. Their habits of thought and their point of view

are different, and what means more than all this is the fact that every material advance made by the Japanese nation antagonizes like ambition elsewhere. Japan will brook no division of the spoils in her own sphere, and to bring about such division is the only hope and purpose of a Western people seeking to ally themselves with the East. The end of a war in Europe would find the Japanese securely entrenched from India to Siberia, for while others were busy with their troubles at home, the Japanese would utilize the diversion to carry out her plans for the future on a far greater scale and at a more rapid pace than is possible with jealous powers free to watch and cavil at her progress.

This is shown in the failure of the Anglo-Japanese Alliance. Made in haste and for temporary benefit, the people of England in due time and after sober reflection viewed with alarm the possible outcome of a practical operation of its provisions. The first opportunity given it was emasculated of its most dangerous features, and Englishmen heaved a sigh of relief at the accomplishment and viewed the episode as a narrow escape from serious complications. To-day there is no more bitter conflict raging in the war for the trade of the world than the rivalry of British and Japanese merchants for the trade of the Orient. They are suspicious and jealous of each other and show no mutual confidence in the good-will or friendship written into their international convention. The day that Baron Kato,

Japanese ambassador to the Court of St. James, made a speech in London assuring his hearers that his countrymen looked upon the alliance with England as fundamental to their foreign policy, there was published in Tokio a demand that Japan should look to her natural ally, Russia, for a convention of real benefit and abandon the farce of an entente with a nation which had no intention of living up to the spirit of the treaty—a nation antagonistic to Japanese interests, and from which they had nothing to gain and from whose rivalry they had much to lose. In that field Germany is closer to the position of the United States than any other power, and really effective coöperation in the Far Eastern affairs between the two nations might bring about astonishingly beneficial results to both. Germany is no bungler however in this international game. She will look well to the stability of purpose, courage and power of any proposed ally before committing herself to a joint move. She cannot afford to be left “holding the bag” in an important crisis—and will not be.

In the meantime Germany stands silent but attentive, isolated in Europe, refusing to be bound elsewhere by arbitration or other treaties, well satisfied with her great and growing interest in the Orient, and ready to play the game with her Eastern friends when opportunity presents.

The foreign trade of Japan is the foundation of her policies, internal and external. According to

her needs and her rivalries in this greatest feature of her economics, she will make her friends or her enemies; and as the people deem the benefit lies, so will they act. It constitutes the mainspring of Japanese diplomacy, the *raison d'être* of army and navy, the guiding star of national ambitions. The men at the helm of the Japanese ship of state are charting their course accordingly, and their craft has traveled far at almost incredible speed toward the port already in sight—the commercial control of the Orient.

The history of the foreign trade of Japan lies virtually within the range of the last thirty years. In 1882 the total was \$33,584,000, and in 1892 it was \$81,214,500, or more than double. In 1902 it had trebled in the decade, and amounted to \$265,019,500, while in 1911 it reached nearly half a billion, or, to be exact, \$480,670,000, a gain of nearly fifteen hundred per cent. in the thirty years. Considering the great amount of the trade involved and the circumstances of its growth, this constitutes a world's record. An almost intact and well-stocked preserve was suddenly opened to the trade-hunters of the world, with a record "bag" as the result.

The following table gives the gross figures of this trade, export and import, and show the rapidly changing percentages of various kinds of merchandise. They explain foreign interest therein and illustrate the recent and extremely rapid development of industrial Japan.

I.—Table showing growth of the Export trade of Japan for the last thirty years, and the significant and rapidly increasing percentage of manufactured goods.

YEAR	FOOD-STUFFS		RAW MATERIAL		PARTLY MANUFACTURED GOODS		MANUFACTURED GOODS		MISCELLANEOUS		TOTALS
	Value	Per cent. of Total Exports	Value	Per cent. of Total Exports	Value	Per cent. of Total Exports	Value	Per cent. of Total Exports	Value	Per cent. of Total Exports	
1882	\$5,705,000	30	\$2,276,500	12	\$9,314,000	49	\$1,242,500	7	\$378,000	2	\$18,861,000
1892	8,352,500	18	4,610,000	10	22,101,000	49	8,969,500	20	1,568,500	3	45,551,500
1902	15,547,000	12	13,169,500	10	60,151,500	47	37,485,500	29	2,798,000	2	129,154,000
1911	26,044,000	12	20,027,000	9	106,494,000	47	68,645,000	31	2,507,000	1	223,767,000

II.—Table showing the growth of the Import trade of Japan for the last thirty years, and the significant decrease in percentage of manufactured goods and increase in percentage of raw material.

YEAR	FOOD-STUFFS		RAW MATERIAL		PARTLY MANUFACTURED GOODS		MANUFACTURED GOODS		MISCELLANEOUS		TOTALS
	Value	Per cent. of Total Imports	Value	Per cent. of Total Imports	Value	Per cent. of Total Imports	Value	Per cent. of Total Imports	Value	Per cent. of Total Imports	
1882	\$2,796,500	19	\$557,500	4	\$4,511,000	31	\$6,255,500	42	\$653,000	4	\$14,723,500
1892	8,045,000	23	7,467,500	21	7,547,500	21	11,780,500	33	827,500	2	35,663,000
1902	24,593,000	18	52,437,000	39	19,681,000	14	37,168,000	27	1,964,500	2	135,865,500
1911	25,312,500	10	115,832,000	45	50,203,500	20	63,179,500	24	1,850,500	1	256,903,000

The figures in the above tables will repay careful study. It may be well to state, however, that from no two sources can the same figures be obtained. The reports of foreign consuls, statements by the financial or commercial departments of the government, statistics in year-books and other alleged authorities, vary considerably. This is true of other countries as well as of Japan, but in the present case, taking the statistics as a whole, it may be assumed they are truly representative and that from them it is safe to evolve percentages and draw conclusions. The growth in the export and import of food-stuffs has about kept pace with each other. The growth in import is due to an expanding market both as to variety and bulk of products. The growth in export is due to increasing surplus production of tea, sugar, rice, silk, and other natural products. It is in relation to the total trade, however, that the movement of food-stuffs is important.

Whereas in 1882 thirty per cent. of the exports were food-stuffs, in 1911 they constituted less than twelve per cent. In 1882 the food imported was nineteen per cent. of the total purchases abroad, while in 1911 it was only ten per cent. The export of raw material, while increasing ten times in value in thirty years, declined from twelve per cent. to nine per cent. of the total export, and the import of raw material, increasing as it did over twenty times in value during the same period, rose from

four to forty-five per cent. of the total import. This latter feature of Japan's foreign trade is explained by the fact that in thirty years the export of partly and fully manufactured goods rose from about \$10,000,000 to \$175,000,000 in value, an increase from fifty-six per cent. of total export to seventy-eight per cent. In the meantime the import of partly and fully manufactured goods increased from about \$11,000,000 to \$113,000,000 in value, but decreased in percentage in its relation to total import from seventy-three to forty-four per cent.

In brief, the people of Japan have in thirty years brought about an industrial revolution in that while they formerly sold their food-stuffs and raw material, they now buy raw material and food-stuffs, and sell manufactured goods. As it is, the raw material now exported is really neither a loss nor is it an indication of bad economic conditions, for it is largely the silk and coal produced in excess of home needs. Such conditions as these should be most conducive to the prosperity of any country, for they bespeak a remarkable record of sudden and most amazing development.

But there is one feature of this trade abroad which is viewed with deep concern at the moment. With few exceptions since 1871, each year has shown an excess of imports over exports, and this excess is steadily increasing, notwithstanding the more stable conditions of recent years. The excess of

imports in 1911 was over \$33,000,000, and it promised to be nearly \$50,000,000 in 1912. In a country like England an excess of imports means no more or less than that England retains her position as a great creditor nation. Her sixteen billion dollars of foreign investment sends home its tithing of gold or merchandise, and the profit on exports comes back in like form, a no inconsiderable item in the import account. The United States, being still a debtor nation, pays her interest abroad in an excess of exports over imports, and will continue to do so as long as her borrowings exceed her lendings. That much-discussed and much-abused expression, "balance of trade," means nothing one way or another in judging of the degree of prosperity in a country except as it may be taken with a full understanding of local conditions. An excess of imports may mean wealth to one nation and heavy taxation and serious trade discrepancies to another, and this latter meaning seems applicable to Japan at the present time.

It is not probable that more money actually leaves the country by reason of this excess of imports than is represented by specie exports, which in 1911 were about \$10,000,000 in excess of imports. The balance of the deficit may be accounted for in the \$4,000,000 more or less spent by foreign tourists, the money sent home by the 300,000 Japanese living abroad, the parcel-post exports, profits on exports, earnings of Japanese steamship lines, exten-

sions of foreign credits in Japan, interest on a small foreign investment, and the undervaluation of exports.

This latter item must be considerable, though there is no way of telling exactly what it amounts to. All goods sent to America except those taken by tourists are declared through American consulates, and in 1911 the value of these exportations was \$6,000,000 in excess of the Japanese figures of export to the United States and American possessions. If these undervaluations are uniform in shipments made to all countries, they would amount to nearly \$20,000,000, a very considerable proportion of the present excess of imports over exports. There are undoubtedly undervaluations in imports as well, but these are not apt to be so great or so general, as they would involve a decrease of revenue to the government at the custom-houses, whereas the valuation of exports is purely for statistical purposes. Allowing the necessity of the present great public debt of Japan, the vast bulk of which is held by foreigners, an ideal trade condition would be an excess of exports over imports sufficient to take care of the debt interest and other charges now amounting annually to nearly \$80,000,000.

It is difficult to follow the intricacies of Japanese national finance. The Japanese people and press are constantly seeking light thereupon, which is denied them either directly or by statements which are

confusing. The story goes that the Government maintains a vast gold reserve abroad for the payment of principal and interest on the public debt as it comes due. These foreign accounts are not kept in the name of the Japanese government, and they are shifted from London to Paris or elsewhere with considerable frequency. It is generally believed, however, that this foreign deposit amounts to about \$200,000,000, and from this deposit and the interest it draws is paid the interest on the public debt held abroad, and such government bonds are paid as they come due from time to time. Borrowings are made abroad and left there to the credit of the Government, so that a large part of the management of national finances is a matter of bookkeeping in Tokio rather than an actual handling of money. This makes it easy for the Government to maintain a certain degree of secrecy in its financial transactions, and renders it more or less difficult for the nation to determine exactly the status of the moment. In brief, it makes possible a certain amount of juggling in the department of finance, which may obscure the real situation.

For the first time in history, however, Japan has a minister of finance, Yamamoto, who has chosen to take the public into his confidence as to the general situation, and who has dealt frankly with disagreeable truths. With a candor which is as convincing as it was unexpected, he recently warned the nation as follows:

As we are all aware, this country bears a heavy burden of foreign loans, and has to pay yearly a large amount of money both in principal and interest. To relieve this situation, means to be resorted to must be those of the development of national industries and the advancement of export trade, while it is equally important to check the growth of all that tends to increase the outflow of specie and to make efforts to lighten the burden of national debt.

His suggestions for doing this were to increase the import duties, cancel the plan for the great exposition which was to have been held in Tokio in 1917, postpone the proposed double-tracking of the government railways, and retrench in army and navy expenditure. The new tariff law which went into effect this year raised the duties from an average of about fifteen per cent. to over twenty per cent. The proposed exposition has been abandoned, and the railways will wait for their improvements. It is not likely, however, that there will be any immediate retrenchment of army or navy expenditure, even though it continues to absorb, as at present, nearly one half of the entire national revenue.

With all this courageous pruning of expenses, it is not enough to hold things even as they are, for the annual deficit constantly grows larger. It is now seriously proposed to raid the sinking fund, that the present naval program may be successfully carried out against that time when Japan may either voluntarily or in defense be called upon to prove the supremacy in the Far East which she de-

clares is and shall always be hers. The balance of trade against Japan has its redeeming features in that it can all be accounted for in the greatly increased importation of raw material. Such increase necessarily preceded an increase in manufactured exports. Statistics of home production and consumption are largely lacking. It can only be assumed that the purchasing power of the people has been exercised to a greater degree than is fully realized. This means that the home stores of money are called forth to pay the bills. There are not many individual fortunes in Japan which would be called great elsewhere, but there is much wealth, and the constantly increasing demand for clothing of foreign pattern, machinery of modern design, the occasional substitution of machine for hand labor, modern building material, and the thousand and one new things the Japanese are rapidly introducing into their business and their home life, mean that their purchases abroad are in excess of their sales, and will continue to be so until a lull in this modernization movement takes place or Japanese export trade assumes proportions great enough to balance the imports and the present abnormal consumption of foreign material.

As yet there are few signs of wilful extravagance or thoughtless expenditure among the people, though there is danger that in the more or less wholesale adoption of twentieth-century standards the undesirable as well as the desirable features may find

their way to Japan. The national industrial situation gives the impression of a large inflow and a hampered outgo. The only safety-valves are new or increased foreign markets and outlets for surplus population.

How to get them is the problem facing the nation. More land for the people to live upon, more work for the people at home, and money more easily obtained for the public treasury. Taxation is heavy, though not, perhaps, as compared with that prevailing in some other and richer countries; but heavy it is in proportion to the earnings of Japanese labor and the prevailing margin of profits in business transactions. It is estimated that in a recent year an average family of five persons paid to the state in taxes about \$33.

There is little doubt that at one time the Philippines looked good to Japanese eyes. There is certainly no doubt that an opinion to the contrary now prevails. This is not alone because of ownership by the United States, but because of the belief, founded upon better knowledge, that Japanese born would not thrive in those islands. Formosa is already theirs, and that island of aborigines and Chinamen has proved a tough job of colonial administration. Money is being made there by Japanese enterprise, but it is a disappointment as a possible colony for surplus population. There are now about 85,000 Japanese in a total population of three and a quarter million.

The hopes of populating Korea and Manchuria with people from Japan are receiving some encouragement. Local conditions are not especially favorable however. Japanese trade is in the ascendent, but the movement of population is slow and gains small momentum. According to Japanese figures, there are now about 300,000 Japanese living out of their own country, 100,000 in China, 69,000 in Hawaii, 10,000 in the Philippines, 25,000 in the United States, 5000 in Siberia, 2500 in Mexico, and the others scattered broadcast. According to more reliable figures, the above statement may be revised so as to allow 80,000 in Hawaii, or nearly forty-two per cent. of the total population (20,000 of these are Hawaiian born), and probably over 60,000 in the United States. There were 86,000 Japanese in the United States in 1900, but the number has decreased because of the call for military service in the war with Russia and the present restrictions upon the entrance of Japanese labor into the United States. Up to the present time, therefore, Japanese attempts at colonization have not been markedly successful, though in time Korea, Formosa, and Manchuria will probably afford sufficient outlet for actual surplus of population, and many thousands of Japanese will make their homes in foreign countries, conducting and extending the trade originating in their native land.

This will be specially true in China. It is to China that the Japanese turn for their economic

salvation, and there they will find it. A recent statement by Baron Makino, the present Minister of Agriculture and Commerce, is most significant not only as concerns Japan, but as a warning to other nations that the struggle for commercial supremacy in China is going to be one of the fiercest conflicts ever waged in the history of the trade of the world. Baron Makino said in part:

China has people, and population is what makes trade. No other country in the world offers so vast a field for trade. With the growth of education and the development of material progress, possibilities of commercial enterprise in China are simply unlimited. The anxiety of the powers to enter into more and more intimate tradal and political relations with China cannot but excite intense interest in Japan; for China is our nearest neighbor, our best customer; and our commercial and political relations with that country are superior to those of any other nation. It is therefore a matter of infinite importance what course China takes in dealing with the numerous applicants for her patronage at this or any other time.

It is true that Japan enjoys a profitable trade with many countries of the west. Our exports to America are of increasing volume and value; while the various nations of Europe welcome what we can supply; but this occidental trade at its best is difficult for us to handle with any satisfactory degree of achievement; for it is always more difficult to deal with highly developed commercial nations than with those less advanced in modern progress. Trade with peoples of lower social standards is always more easy and profitable. There was a time when Japan hoped to find her chief field of commercial enterprise in the west; but to-day the mind of Japan is all toward China as the

commercial hope of our future, not to say anything of our geographical and racial advantages with that country.

It is our ambition to be to the East what Great Britain is to the West. We have left no means untried in making a thorough investigation of the present conditions in China, so as to arrive at as accurate an estimate as possible of what is to be expected in the commercial relations of that country with Japan in the near future. The data obtained is vast and will require a great deal of consideration. . . . Another matter of no small importance is, as to how our trade with China may best be promoted and carried on. Hitherto we have done a good deal of it through strangers: that is, through *baiben*, or middlemen; but, as every one knows, the more hands a transaction has to go through, the more complicated and expensive does it become, and the better way is to make it as simple a matter as possible. This simplification of tradal transactions we have been calling "direct trade," though it is nothing more nor less than the proper way to trade. In the matter of direct trade with China, the merchants of Japan enjoy a considerable advantage as they are more familiar with the language and customs of China than their foreign contemporaries. . . . We think we know a good deal about commercial conditions in China, because we know a little more than the merchants of the West; but we really know nothing as we ought to know; and I would advise all those who hope to share in trade with China, to make careful and constant investigation into the conditions prevailing there; for I am sure there is much yet to be learned, if our trade with China is to achieve its best. Instead of our business men staying at home and waiting for orders, let them go or send representatives into central China, and they will find a more remunerative field of demand and consumption than they ever dreamed of, reclining in their offices at home. . . . Now is the time to explore China commercially; and



Japanese Peasants in the Rice-Fields.



Human Transportation Plays a Large Part in Japanese Life.

any demand we create now for useful articles will in all likelihood become permanent. . . . It is not too much to say that a great part of our hope for future financial rehabilitation in Japan depends upon how we can further develop trade with China. In this matter we cannot afford to be beaten by our foreign competitors; for the very welfare of the nation depends upon it. I would have all Japanese regard it as the foundation of our national prosperity. Should we lose China as a customer it would mean the ruin of our commercial prospects.

In brief, Japan is going after the trade of China with all the energy and resourcefulness of which her people are capable, and with great natural and racial advantages in her favor. Every advantage will be given to Japanese foreign trade which can be devised by a coöperating government and the skilful and not over-scrupulous traders. "Trade with peoples of lower social standards is always more easy and profitable," as Baron Makino significantly remarks, and the commercial methods of many of the Japanese can pass with less fear of challenge than they do in "highly developed commercial nations."

To do Baron Makino justice, he warns his fellow-countrymen as to the evil effects of "scamping" foreign trade and indulging in trickery for the purpose of selling goods, but in the face of the extremely bad record of the Japanese merchants it will take more than an official warning to beget the confidence of those who buy from Japan. Not long ago I saw a collection of Japanese-made goods of

various kinds all gotten up to delude the customer into the belief that he was purchasing something made in England or America, and the cleverness exhibited was equaled only by the audacity of the fraud. It is not alone from foreigners that complaints are forthcoming, for even in the public prints of Japan has the matter been thoroughly aired and these methods condemned by the better class and more far-seeing Japanese.

An interesting and significant situation has arisen in Korea, where it has been shown that Japanese goods passing through the Korean custom-houses are given the benefit of an undervaluation. Protests have been made, but the fact remains. From one point of view it might be said that the Japanese were within their rights, as Korea is a possession. This would be true if it were done openly, but to attempt to maintain favored-nation treaties and quietly to violate their foundation principle at the same time is a bit of juggling which does not meet the approval of the other parties to the treaties. It inspires a lack of confidence, to say the least.

The foreign trade of Japan is now distributed as follows:

JAPAN EXPORTS TO		JAPAN IMPORTS FROM	
United States...	31.80 per cent.	Great Britain ..	21.60 per cent.
China	30.33 " "	British India ...	19.40 " "
France	7.73 " "	China	16.00 " "
Great Britain...	5.32 " "	United States...	15.80 " "
British India ...	4.54 " "	Germany	10.90 " "
Italy	3.99 " "	Dutch India....	3.00 " "
Other Countries.	16.29 " "	Other Countries.	13.30 " "
<hr/>		<hr/>	
100 " "		100.00 " "	

The foreign trade of Formosa is \$16,300,000, about \$400,000 of which is with the United States. The foreign trade of Korea is about \$13,000,000, of which less than \$3,000,000 is conducted with the United States. In 1911 Japanese purchases from the United States reached a total of \$40,000,000 as against \$27,000,000 in 1910. Over twelve million of the \$40,000,000 is accounted for in staples, such as raw cotton, machinery, wheat, iron, steel, phosphates, building material, locomotives, leather, tinplate, automobiles, wines, oils, watches, and other small but profitable articles of trade. In 1911 the United States sent over \$6,500,000 worth of kerosene to Japan, forty-five per cent. of the total consumption. The Japanese oil-wells produced thirty-five per cent. of the oil used, and the other twenty per cent. came from the East. In 1911 the United States purchased from Japan over \$70,000,000 worth of goods, a representative list suggesting all the industries peculiar to the country, such as silk, straw, tea, porcelain, and bamboo work. The United States is Japan's best customer, taking virtually one third of all her exports, and China is a close second. England and British India are important customers. The United States is fourth in the list of purveyors to Japan, and will probably never gain a higher rank, notwithstanding the trade increase of 1911. This increase was due to special causes and will hardly be repeated in the future in equal percentage. Of enormous importance to

Japan is the supply of raw cotton, for in 1911 551,059,200 pounds were brought abroad. British India furnished 323,000,000 pounds, China 99,000,000, the United States about the same, Egypt 13,000,000, and the balance came from other countries, mostly Asiatic.

Over \$35,000,000 worth of iron and steel and manufactures thereof were purchased abroad by the Japanese in 1911. Germany sold to Japan during that year nearly \$30,000,000 worth of goods, and her purchases amounted to less than six million, a gain for Germany in her sales' account of over thirty-four per cent. in one year. German trade in Japan is growing rapidly, and the commercial as well as the political relations of the two countries are becoming more intimate. The prospects of German trade loom large for the future in this country, and the character of the trade is most profitable to both countries, there being a smaller element of rivalry in the exchanges. The most profitable business in Japan at the moment are cotton spinning, insurance, sugar refining, and banking. Nearly all of these enterprises paid over ten per cent. net profit during the year of 1911.

The industrial situation in Japan is most critical, and the next few years will witness many disturbances preceding important and inevitable readjustments. The relations of capital and labor have yet to be determined. The workman has heretofore always been docile and obedient, and strikes along

Western lines have been unknown. The dissemination of Western ideas and the increasing cost of living are bringing about a state of restlessness and dissatisfaction potent with serious possibilities. The Japanese laborer is in rebellion, and while himself alarmed and a bit bewildered at the power he finds himself possessed of, his bewilderment is as nothing to the concern of the employer, who is faced with the increased expense that will follow the rise in wages and the improvement in working conditions demanded by the laborer. The tendency so far has been to treat with the men and avoid conflicts, but in most cases where conflict has actually taken place the men have won. The Western labor-union as such is unknown, but all labor in Japan is organized into guilds and the control of the guild over its members is absolute. In fact, viewing the guild as a labor organization, and it is such, the labor of the country is most completely and autocratically organized, and it is only necessary to change the title of guild to labor-union and allow its members a realization of the power of their association, and the situation automatically modernizes itself.

The factory conditions of Japan are thoroughly bad, and in response to public sentiment a factory law has been passed by the Diet; but it does not go actually into effect for fifteen years after its promulgation, and it has not yet been promulgated. So far reform has gone no further than this academic

expression of disapproval. At first and up to a recent date, the Government dealt with strikers and labor-agitators as criminals, and punished them as such. But as the disturbances increase, it has become apparent that this method is not practical, and that it is dangerous, as it excites the mind of the people and offends their sense of justice. With every passing year the ideas of the Japanese laborer are becoming more and more democratic; the emperor is no longer generally looked upon as a divine being, and the exercise of authority must be tempered with wisdom and justice to meet with unquestioned obedience. The native press now prints the news freely, and those who cannot read are read to, with the result that the community as a whole is marvelously well informed as to current events and their meaning. In 1910 the Tokio street-car lines were tied up because the employees believed they had not received a fair share of the bonus which accrued to the staff when the lines were transferred from private to public ownership. The directors took the lion's share. The strikers received an increase, and went back to work. Several of the leaders were severely punished, on the ground that they had put the public of Tokio, that city of magnificent distances, to serious inconvenience, hence had committed a crime against society. The men punished were regarded as martyrs by their fellow-workers, as the purpose of the strike was accom-

plished, and since then there has been a marked and unusual hesitancy on the part of those in authority in dealing with such cases in a summary or harsh manner. The loss of the *Titanic* gave the steamship employees an excuse to strike for more wages, on the ground of inadequate life-boat service, and they received the increase asked for.

This is only the beginning. It must have caused some degree of panic among the employers of Japan to find that on their own initiative the labor-guilds of their country telegraphed their sympathy and support to the dock and transport workers of London during the recent English labor troubles.

As yet the Japanese laboring-men have not acquired sufficient boldness to strike for an avowed purpose, but by concerted action they fail to report for duty. When asked why they do not appear, they plead physical ailments, and thus escape legal action. They accomplish the desired end, however, and the result is the same. This is a recognized farce played every time with the full understanding of both sides to the controversy.

In no other country in the world does a larger percentage of women participate in wage-earning. In the United States for every eighty-six male wage-earners there are fourteen female. In Great Britain it is seventy-five to twenty-five. In Germany eighty to twenty, in Italy seventy-eight to twenty-two, while in Japan there are nearly twice as many

women as men on the pay-rolls of the country. It is the testimony of all large employers that the women are the industrial backbone of the country. The employment of women and children is the secret of the competitive power of the Japanese textile and other light handicraft industries, and it is for this reason that the possible operation of a law enforcing sanitary provisions and even the common decencies of humanity in factory life is viewed with alarm by the manufacturers in their necessarily strenuous competition for foreign trade. The new law limits hours of employment, forbids the use of children under certain ages, and forbids the employment of women at night and in dangerous occupations. It can be understood, therefore, whence comes the delay in even promulgating a law which takes effect fifteen years after its promulgation. The moneyed classes and the "interests" necessarily control a legislative body like the Japanese Diet, many members of which are elected by a most amazing and open system of corruption and vote-buying, a system which puts to shame in its effrontery the worst days of ward politics in any gang-ridden city in the United States.

The average of wages in Japan in thirty most usual occupations is fifty cents a day without food, and forty cents a day with food. The cost of living for a family of three is about \$10 per month, distributed as follows:

House rent	\$2.50
Rice (cheap quality)	3.00
Other Food	2.25
Fuel75
Other living expenses	1.50
	<hr/>
	\$10.00

This does not include clothing, amusement, or any form of luxury. In the last ten years the price of thirty-one staples which enter into the daily needs of a working-man's family has increased about twenty-three per cent. In the same period the wages of those working in the eight most general occupations where food is furnished have increased by thirty-three per cent., while the wages in twenty most general occupations where the worker finds his own living have risen only about eleven per cent. This latter classification includes naturally by far the great majority of the industrial workers. The occupations where food is furnished are as a rule followed in the country, and, as in other lands, it has been necessary to pay larger wages to restrain the drift of workers toward the cities. It is also true that there is a greater margin of profit in the industries of the open spaces. The industrial laborer of Japan now pays twenty-three per cent. more for his living than he did ten years ago, and his wages have increased only eleven per cent. If a longer period than ten years be considered, a still greater discrepancy will be found, owing to the increase in the price of rice, the staple article of food.

It will be noticed that in the estimated cost of living of a working-man's family rice is the largest item of expense, absorbing, as it does, nearly one third of the total expenditure. In 1892 rice was seventy-two cents a bushel. In 1902 it was \$1.22, and in 1911 it was \$2.12, or an increase of 200 per cent. in twenty years. A higher price even than this prevailed in 1912. In some families other foods have been substituted for rice, and such substitutes will in time become more general. It is difficult, however, to change the habits of a nation, and it is more difficult even to find a substitute for rice which will really take its place in cost, nutriment, or convenience.

The purchases of all classes have become more varied. The luxuries of ten years ago have become the necessities of to-day; hence the difference in the cost of living is really greater than appears from a summary of the cost of staples. Herein lies largely the reason for the industrial unrest which prevails, and, strengthened by the increasing spirit of individual freedom, may in its ultimate effects prove a serious check to the pace which now marks the progress of Japanese foreign trade. There is already a strong agitation for a six-day instead of a seven-day week, though for economic, and not religious, reasons. Increased wages, shorter hours of labor, and even the most elementary protection of women and children now working in the factories, some at night work and some in notoriously dangerous or

unhealthy occupations, would threaten the present advantage of the Japanese in the cost of production. These restrictions are inevitable as the people gain confidence in their undoubted ability to dictate to capital better terms of employment.

There is always a strong temptation to refer to Japan as the England of the Far East, and superficially the simile carries far. Geographically there is a like situation. Politically the ambitions of the two countries run parallel. Economically there is some resemblance, but with conditions much more favorable to England. Each is a group of islands the forces emanating from which have much to do with the economics and politics of the peoples of the near-by mainlands. The resources of England are better balanced than those of Japan in the matter of raw materials, while, on the other hand, Japan can draw upon a supply to be found on the mainland, something denied to England, owing to the high development of industry among her neighbors. Like the English, the Japanese are deeply concerned with mainland affairs, and their intention is to maintain a dominating influence therein. Both countries lead in sea power in their own waters, and the respective land forces are considerable not only for home defense, but for invasion, if deemed advisable. The 120,000 square miles of Great Britain carry a population of forty-five million. The fifty millions of Japan are crowded in upon the comparatively limited area suitable for cultivation and hab-

itation. England produces her own coal and iron, the basis of all great industries. Japan has fuel, but comparatively little mineral. England has her own markets abroad. Japan has virtually no markets for manufactures except those in which she enters into fierce competition with stronger rivals. The domestic and export trade of England warrants the construction of vast plants the output of which is cheapened by production on a large scale, the home market taking the bulk of the yield. Japan is a country of diversified needs, but comparatively small consuming power for merchandise of large or costly construction; hence it may never be possible for domestic manufacture to compete with like foreign goods. England is moribund with money. Japan is at her wits' end to pay her bills and carry on the work of reconstruction. England prospers despite appalling problems of labor and capital demanding solution in the face of apparently hopeless deadlock. Japan prospers because the only industrial problem which has confronted her so far is that of meeting the foreign cost of production and going it one better. Her real troubles are yet to come. The labor-union in aggressive form is unknown; the people have not yet learned to disobey when told to go to work; the scale of living and wages is low, and little or no restriction is placed by public opinion or the courts upon a certain amount of trade deception and trickery which has given Japanese merchants a bad name the world over,

many honorable and upright men suffering unjustly for the sins of less scrupulous fellow-countrymen.

There is another feature of Japanese industry which militates against better wages and conditions for the worker, and that is the low-producing power of the Japanese labor unit. Many employers are already convinced that even with the wage scale as it is, Japanese labor is equally well paid as that of England, Germany, or the United States. The Japanese workman is slow and inefficient; lacks initiative, energy, and trustworthiness, and as the demand for higher wages becomes increasingly insistent, the employer faces a rise in the cost of production of which the wage scale is not truly indicative. There will be no great increase in the imports of Japan except as to raw materials, and it would not be surprising to witness an actual decrease in many other lines. It can be depended upon that the nation will do everything possible for itself and in time depend upon foreigners for only those things which their land does not produce or the people cannot manufacture with profit to themselves, even with the aid of high import duties and subsidies.

The modernization of industrial Japan will take some time even at the present rapid rate of progress, and until that is accomplished there will be a large and profitable trade for Western manufacturers of machinery and other things necessary to bring this about. Japanese competition in the higher civilized countries of the world need present no fears to

Western peoples. If the latter want trade in other countries of the Far East, however, in any products the like of which are produced by the Japanese, they will have to work to get and hold it, for, as Baron Makino naïvely remarks: "It is always more difficult to deal with highly developed commercial nations than with those less advanced in modern progress. Trade with peoples of lower social standards is always more easy and profitable." This is certainly true of the Japanese, for their trade standards and trade morality conflict less with those of "peoples of lower social standards" than they do with those of the peoples of "highly developed commercial nations," hence the Far East offers exceptional facilities for the exploitation of Japanese trade, and there it is that it will grow and flourish apace.

X

THE TRADE OF CHINA

THE LAND OF "BITTER STRENGTH."

THE land of "Bitter Strength": it is not possible to find an expression which better conveys the character of the Chinese people or of the country they live in. "K'u li" is the Chinese equivalent, Anglicized into "coolie," that classification which covers the vast majority of the workers of the country. Incredibly strong, never flagging in industry, faithful to a trust, modest in desires, and peaceful by nature, the strength not only of physique, but of character, is there. They are strong in their virtues, which are great, and strong in their vices, which are tremendous. Over all lie the somberness, sordidness, and bitterness of the land, the fierce struggle for existence, the oppression of petty rulers even now as before and the appalling filth of Chinese humanity en masse. There is no joy in China. The earth itself is grim, and unwilling to yield except under compulsion. The people seldom laugh except at the misfortune of others, and the closer one gets to Chinese life the less the wonder, for there is little to laugh at, except such things as are said to afford certain of the gods sardonic glee.

To the Occidental eye China is an ugly country, and to the Occidental mind the Chinese are an ugly people in the great as well as in the small things of life. With all this ugliness there is an immutability as a nation and a strength of character as a people which challenge wonder, admiration, and a lively speculation as to the future. The integrity of the race is unmistakable; the strength of individual character, elusive as it may prove when analysis is attempted, is a real and tangible quality, felt with increasing intensity the longer the stranger remains among them. It is so strong that the casual passer-by finds it to be the dominant interest in his mind in consideration of things Chinese, and Occidentals who live long among them in time succumb absolutely to its compelling power, and, if honest, admit their inferiority in dealing with it. The Chinaman of the South may be more active mentally, more naturally turbulent and progressive of thought, less imposing physically, and even speak a different tongue than his brother of the North; but they meet the foreigner on common ground in their inherent racial qualities, and it is with this racial immutability and strength of character that the Occidental has to reckon in dealing with the Chinese of to-day, to-morrow, and the day after.

The evolution of the immediate future and the final destiny of this nation will be determined by the Chinese themselves according to the motive power of their own character, and within the bounds

of the physical needs and possibilities of their own land. It is necessary, therefore, for the would-be prophet to take stock of the Chinese people and what lies to their hand rather than to attempt to estimate the power of influence from without; for this influence is negligible, and will be for many years to come.

Something has happened in China recently. Abroad it is called a republican revolution, but the Chinese themselves know better. The form of absolute monarchy, ruling by almost prehistoric methods and conventions, has been overthrown. Less than five per cent. of the population were really concerned in this overthrow. A handful of idealists hope against their own best judgment for an elective representative form of government to succeed at once; but it will not. This is really the only thing which cannot come about. There may be a new emperor, a military dictator, a divided country, each part governed as its strong people may decide, or the present provincial Government may evolve into a more or less wise and disinterested oligarchy, compelled to give the people a fairly good régime by reason of the simple fact that, if it does not, its day will be brief. This latter form of government has prevailed generally throughout the modern world when violent misfortunes have come to long-established rulers, and usually masquerades under the name of a republic, as in the case of many states of Central and South America. This is probably what

will happen in China, but with many modifications, for the country is vast and its problems are many, and the relations of the communities north, south, east, and west most complicated.

In Peking there sits an old man, closely housed for fear of violent death, already narrowly averted many times; patient, wise, with a keen sense of humor, a thorough knowledge of his own people, not unaccustomed to the ways of foreigners, and honest as judged by Chinese standards. Yuan Shih-kai stands head and shoulders above the men now gathered about him. He pays high tribute to the service rendered the state by Dr. Sun Yat-sen, but deprecates the socialistic addresses of the latter to the Chinese people. He laughs quietly at the idea of a really representative republic in China, and seeks merely to guide his people from day to day into a path which will bring credit to China in the eyes of the world and peace to the Chinese themselves. He ordered an "election" to be held in 1913 in the principal places, the delegates so chosen to sit in a parliament or constitutional convention later on. It was a plan for getting together, if possible, a lot of strong men from every part of this far-flung country, with its hundreds of millions of people, in order that some stability and harmony might be secured, and some semblance of an organized government might originate, which would receive the recognition of foreign powers and the support of those at home from whom support was needed.

In June of the year 1912, during the days when the International Loan Committee was sweltering in fruitless conferences with the Chinese Council in Peking, a foreign diplomat of standing made a pleasure-trip into the hills about twenty miles distant to look at an old temple. He and his party had with them ten or twelve coolies as chair-bearers. This diplomat spoke Chinese fluently, and out of curiosity talked of politics with the bearers. He asked what they thought of the new republic. They failed to grasp his meaning. He asked them whether or not they had heard of all the trouble that had occurred in Peking and elsewhere. The spokesman of the party explained that they had heard that a man named Yuan was trying to make himself emperor in Peking, but that was all they knew about it. When this was told to Yuan he laughed, and said that some day he would send people out all over the country to explain what had happened. And this was only twenty miles from Peking, when to listen to all that was said in the foreign quarter of that capital one might well believe this great nation had been shaken to its ancient and most solid foundations by the events of the last few months. It had not, and that is what it is necessary to bear in mind in dreaming dreams of the future of China.

I have been in ten of the eighteen provinces of China since the revolution, and except for a ruined building here and there, a few soldiers scattered

along the lines of the railway, an occasional regiment of native troops on the march, and the gathering of the soldiers of the allies at a few strategic points, there are no signs of those epoch-making days when a child issued proclamations, written by his advisers, full of quaint and pathetic appeals to the spirits of the Nine Emperors to stem the rising tide of dissatisfaction with a dynasty which had failed to keep up with the times, and thus invited its own obliteration. In the Forbidden City the child still lives, surrounded by 3000 eunuchs and at least 2000 other retainers, men and women, not one of them daring to cross the bridge into the outer city, and all helplessly dependent for actual food upon the bounty of a temporary government beset with old and new problems and weakened from within by the jealousies and greed of its officials.

It is from the South that the republican ideas have come. From Canton and thereabouts the coolies have gone abroad to labor, and have returned with money and new ideas. From this region also most of the young men of better class have gone to foreign schools for their education, and have returned to China inevitably dissatisfied with home affairs. The number of these is comparatively small, and they constitute an inconsiderable element of the population. Their influence is not in proportion to their numbers, however, for every one of them has constituted a center from which has radiated restlessness and a force for change. They

are not all wise men. This Occidental learning and experience have made many of them top-heavy, and their influence is that of the agitator who destroys, but who fails to reconstruct. It is significant to note that the man who took the helm in the first days of reconstruction was Yuan Shih-kai, a man of inconsiderable learning even in China, who speaks no foreign tongue, and who has never traveled beyond Korea; and prominent among those who are really trying to bring order out of chaos are few who can boast of a degree from a foreign college.

Far to the north, in Manchuria, the people are simply waiting the outcome. Still wearing their queues, still non-committal as to their politics, they are going about their business until such time as they may share peaceably in whatever stable form of government comes out of Peking. All this is despite the fact that certain foreign interests have been to no small effort to incite disturbances in view of the possible advantage which might accrue in the future from an enforced military occupation for the alleged protection of "lives, rights, and property" of citizens other than Chinese.

It is difficult, nay, impossible, to summarize in a few words a country so vast and so varied or a situation so complex and so tremendous. At best it is only possible to give some idea from the Occidental point of view of what really exists and what might be expected. It is said of Chinese that they always do the opposite of what is expected. This

may be true of the smaller things of life, but in the big things natural and economic laws govern events in China much as they do elsewhere, and along these lines it is fairly safe to attempt to probe into the future.

The Chinese Empire as it stands upon the map comprises 4,376,000 square miles, roughly speaking thirty-five degrees of latitude east and west and twenty-five degrees of longitude north and south. This area is credited with a population variously estimated from 325 to 450 million people. Leaving out of consideration Tongking to the south and Tibet to the west, Mongolia to the north and Manchuria to the northeast, as dependencies, now less likely than ever to come under undisputed Chinese dominion, there is left a China proper of nearly two million square miles and a population of 300 million more or less, probably more. This is about 150 to the square mile, ranging from the densely settled province of Shan-tung, with nearly 600 to the square mile, to the more sparsely inhabited province of Kan-su, in the northwest, with forty to the square mile.

China has been inhabited by an industrious and thrifty agricultural and manufacturing people for thousands of years. Her agriculture is intense, and her people have little to learn except in the matter of labor-saving machinery; and where it is not desired to save labor, but rather to make opportunity therefor, machines make slow progress. In min-

erals China possesses a plentiful supply of those natural products which are the foundation of industrial greatness—coal and iron. Her soil produces food and materials for the loom; in fact there are few directions in which the wants of a modern man could not be supplied from China should necessity arise. In brief, it is a self-contained country, inhabited by self-contained people. It is for this reason that contact with foreigners is a matter of only recent days. According to their needs and wishes, the people had all they wanted, and needed not to fare abroad for their necessities or their luxuries.

In course of time, however, the world became so small that impatient aliens who had exhausted opportunity elsewhere demanded admission not only to secure the surplus of Chinese productions, but to find a market for their own wares, which they offered in bewildering array to a people whose purchases had been limited in variety. The West, impatient at the slowness of the Chinese to perceive the virtues of Western ways and Western goods, tried to hustle the East; but up to the day when the Chinese decided to hustle themselves the West had made small impression upon this gigantic empire, with its almost inconceivable figures of population. The gates were opened from within. Modern civilization made a flank attack by instilling into a few Chinese minds the ideas and ideals of the West, and turning these busy microbes loose within the body politic of China. Where persuasion and

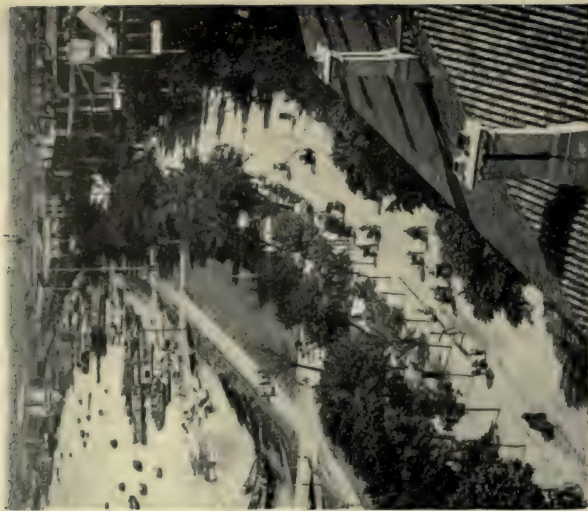
force failed, this succeeded. The silken threads which had been the sole tie between the provincial Government and Peking snapped under the strain, and the spirits of the Nine Emperors passed into the shades of yesterday, never to return as an actual force in the conduct of affairs. The uselessness of all the pomp and glory of the Manchus was exposed. For a time the world held its breath, expecting civil war and destruction in a country of three or four hundred million people without a strong central government; and nothing happened. In the spring of 1912, less than six months from the overthrow of the central government, from Kwang-tung to Manchuria, from Che-kiang to Tibet, the people plowed their ground, put in their crops, reaped their harvests, counted their "cash," bewailed the drought or the flood, berated the local tax-gatherer, and knew not the difference between the rule of the Manchu and that of the provincial Government, or so-called "republic," which elsewhere in the world held the breathless attention of the people of all nations.

The China of to-day is the China of 1911 and the years before that. There has come no change in the landscape, no change in the spirit, the virtues, or the vices of her people. The immutability of this race will yield only with the slow process of time, and then only from within. Such foreign ideas as may be adopted will first be absorbed, and then applied in a manner best fitted to their new and



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The Main Street in Peking, as Seen from the
Drum Tower, Looking West.



From a photograph, copyright, by Underwood & Underwood.

A Glimpse of the Harbor at Shanghai.

strange environment. There will be no hasty transformation scene in China, and he who stakes his all upon such will be lost in the waiting. As the tides alone move the vast bulk of the ocean, so it is that only great stirrings from within will move the Chinese nation to mark new paths for the goings and comings of the people.

To gain a general idea of the physical character of China is easy, for in many ways it resembles North America. The deserts, the vast plains, and the mountains of the North are found in both countries. The fertile arable land lies along the middle belt and far to the south, as in the United States. Great river systems divide the country into many natural drainage zones, and the range of climate is much the same as in America. Given these like conditions, we find like natural resources and a like productive power. This comparison is near enough to the truth to serve for all those who cannot see the land for themselves.

But here the comparison ends. Imagine four hundred million people on the American continent, the arable land tilled for hundreds of years consecutively; the population kept within bounds only by disease, wars, and famine; no intercourse with the outside world; no communication between the different parts of the country except on foot, by caravans, or by slow-moving river boats, and picture, if possible, the conditions which would ensue. Ancient prejudices, beliefs, and conventions would rule

without change. The rich would grow richer, the poor poorer. The vested rights and interests of the overlords would become as sacred institutions, and the rulers of the land would be those who could wrest power one from the other as the turn of the wheel gave them opportunity. This is what happened to China, and this is what would happen to any self-sufficient nation living upon a self-contained area and multiplying upon itself behind a wall, real or other, which prevented the exchange of thought with other and newer civilizations.

To a certain extent the wall is now down as far as China is concerned. The minds of the people, however, are no different from what they were. They are still hypnotized by the Vision of the Wall, so much so that it even now possesses a strength and significance far beyond that of the thousands of miles of crumbling masonry, penetrated as it is by hundreds of unguarded gaps, which was the actual physical manifestation of exclusion to the invader many years ago. It is still a country of treaty ports,—still a country with violent anti-foreign areas, and still there is no communication between communities other than of the old ways.

I do not mean to say that these conditions will remain forever, for this would be as untrue as to say that a new China has appeared. The next fifty years will witness a greater change in China than has taken place in the last five hundred. In time the treaty ports will be abolished, railroads will find

their way here and there, until the eighteen provinces are linked together as one, a more or less modernized government system will come about, and, what will do as much for China as anything else, some sort of business system will prevail which will facilitate international exchange, a process impossible under present conditions. To-day, as far as the foreigner is concerned, there is no business system outside of the treaty ports. No credits can be given, no knowledge of possible customers secured, no banking facilities are afforded. In fact, the average Western merchant entering China to-day to do business would either find himself at a loss how to go about it or would, if he ventured upon those unknown waters, lose himself and his cargo before he sighted the first port of call. The much-vaunted honesty among the Chinese exists one to the other, and there is not so much even of this in recent years, if their own spokesmen be believed. Foreigners who deal with them employ native middlemen, and far from not having any security, in most cases the middleman secures the firm whose goods he handles by actual cash or other securities. Everything in China is done through these middlemen. They make the price to the foreigner, and their profit in buying or selling lies in the second price made to or from the Chinese customer.

This leads up to the subject of "squeeze," under which title all middlemen's profits are known. "Squeeze" is a great national institution, the foun-

dation and structure of Chinese business. It extends from the transactions of a high government official to the coolie who does an odd job or the peddler who sells his wares en route. The Chinaman who comes to the hotel to trade with the foreigner pays his way from the sidewalk to the room door, and then in the end the foreigner pays it all. The Chinese business system is immoral from a Western point of view. As a matter of fact, it is not, for it is part of the game in China, and there is no discredit therein. In fact, a successful "hold up" is looked upon as a clever stroke of business.

Unfortunately for the country and the people, it does not work well in government affairs, but it has extended thereto even to a greater extent than prevails in private business. There is an old story, but one which may do to tell again. It is entitled, "How the streets of Peking were lighted at a cost of a million taels." Some enterprising person convinced the emperor that it would be a good thing to have the streets of Peking lighted by electricity at night; the emperor asked for an estimate of the cost. It was given at a million taels. He issued a royal command to the effect that the streets of Peking should be lighted at a cost of a million taels. The next official in authority issued an order that the streets of Peking should be lighted at the cost of 800,000 taels. The order passed through many intermediate hands until it reached the city's ex-

ecutive; he ordered that the streets be lighted at a cost of 100,000 taels. The official of public works in his order still further reduced the amount to 50,000 taels. The contractor who got the job compromised by ordering every householder to hang out an oil lantern in front of his door at night. This was done, and the first night the watchmen on their rounds stole the oil from the lanterns, and that was how the streets of Peking were lighted at a cost of a million taels. The emperor never knew the difference. The public treasury disbursed the million, and it disappeared entirely in the "squeeze" of the officials through whose hands it passed.

Exaggerated or not, in this story lies the reason for the insistent demand of foreign bankers that the expenditure of money loaned to the Chinese Government should take place only under foreign supervision. It is here that the business methods of the East and the West come into conflict, and it was the national institution of "squeeze" which for months blocked the international financial game at Peking in 1912. It dies hard, and has as many lives as a cat. The elimination of "squeeze" in one place often leads to its reincarnation elsewhere. Without it, the established business system of China, if it may be called such, disappears. Anything to take its place must be a compromise, and such substitute will be painfully slow and discouraging to the pushing trade adventurers of the Western world.

About the outer edge of China to the west and north lie Tongking, Tibet, Mongolia, and Manchuria, the Chinese "dependencies," as they are known. The exigencies of world politics are held to demand that these regions shall remain in indefinite ownership. The Chinese flag flies over them all, but the French, English, Russian, and Japanese governments have far more to say as to their destinies than the Government at Peking. That jealously guarded possession of England, the Indian peninsula, needs for safety a buffer state on the east and northeast. Mongolia serves the same purpose for Russia, and while Manchuria is held at least theoretically to be more distinctly Chinese than the others, it is apparent to the most casual observer that it is certainly destined to become more Japanese than Mongolia is Russian or Tibet is English. The reason for this is that Manchuria serves as an economic outlet for Japan, as well as being of strategic value, and though Japan may disclaim any purpose of conquest or annexation, the Japanese assimilation of all that is valuable in Manchuria goes steadily on. It is only a question of time until Korea to the south becomes so thoroughly Japanese that it will serve as a safe base for still further economic advances into Manchuria in all directions, whereas now it is the Japanese railroad interests in Manchuria which serve as the sole but apparently sufficient reason for interference in Manchurian affairs.

It may as well be accepted by the disinterested world at large that the French, English, Russian, and Japanese spheres of political influence in China will never retreat. They are far more likely to advance. This is a fundamental fact to be reckoned with in consideration of things in the far East.

Solemn international declarations as to the "open door" and the integrity of the Chinese Empire will always have regard for existing interests. The United States is the only great power without more or less tangible territorial "rights" in China. Her interests are therefore limited to sentiment and trade, and her pronunciamientos lack the convincing quality of self-interest which exists in the declarations of the other powers. It is the part of diplomacy to be suavely conciliatory and polite, but to yield nothing, and advance, if possible. The four great powers concerned in seeing that China does not carry the imperial integrity to such an extent as to cloud their visions of strategic safety and partial control are tied one to the other by like interests. The control of Tibet by England is not so prominently before the eyes of the world as the Russification of Mongolia or the Japanization of Manchuria, but it lies in the background equally as tangible, equally firm of purpose, and restricts the policy of the English Government in dealing with international declarations on behalf of China and her outlying territory. The way is now being prepared by the British Foreign Office for a more

definite stand before the world, for the *London Times* said in July, 1912, "Britain does not seek a single inch of Tibet, but the cause of the unfortunate Tibetans deserves our sympathy." It was an amusing bit of smug and transparent hypocrisy.

Germany is concerned in the integrity of her concession at Kiao-chau, to which she desires undisputed possession, and will rest satisfied if no obstacles are placed in the path of her already valuable and steadily growing trade and financial interest in the East. There are stronger influences at work to render Germany sympathetic with the group of powers territorially concerned in Eastern affairs than with the more or less academic position of the United States. In fact, the latter country stands virtually alone in its attitude toward China, and, without power to enforce aggressive policies, courts possible humiliation or serious international controversy by interference. The delay in the recognition of the republican government in China is not alone due to doubt as to the future as far as China is concerned. It is really caused by desire on the part of every one of the powers to estimate properly the position, the claims, and the policies of the others before taking irrevocable action.

If the truth were told, the international group of bankers is largely responsible for the success of the recent Chinese revolution and the consequent downfall of the Manchu dynasty. If money had been loaned to the late Government at the critical mo-

ment, and a motive thus been given for a more vigorous handling of the imperial troops, the revolution would have proved abortive for the time at least. This is a fact well known in Peking and to any military expert who has studied the operations during the recent Chinese civil war. As soon as China was deprived of any real form of government, loans, comparatively small, it is true, but nevertheless significant, were promptly forthcoming, and talk of large loans immediately began. It suited the purpose of the foreign offices of Europe to precipitate political chaos in China. A history of the near future will disclose the motives behind it all in London, Paris, St. Petersburg, and Tokio. It was loudly asserted that the best thing the United States could do to advance her standing in the East, and consequently the material interests of her people in that region, would have been to immediately accord recognition to the Chinese Republic. A few academic friends and some enemies might have been made, but the gain for justice, for trade, or for political prestige would have been inconsiderable. There is a great game on in the Eastern Hemisphere, and the United States, notwithstanding the Philippines, a possession the importance of which in Eastern affairs is vastly overestimated, is more an intensely interested spectator than the active participant. It needs more finely tempered steel than has yet been forged in Washington to meet successfully the keen blades crossed in the noiseless, determined, and

skilful diplomatic sword-play in progress in the Orient.

The real opportunity which has existed since the recent revolution for the United States to become the strongest foreign influence in China has lain in a possible proposition to finance the new Chinese government. In this the United States would have had the ready and even eager support of Germany had it been needed. England would perforce have demanded participation, but while this move on the part of the United States would after all have resulted in a situation similar in some respects to that created by the existing six-power financial group, it would have made the United States the leader and more or less of a dictator in the negotiations instead of a mere participant and an echo of others. The effect of this position upon the relations between the United States and China, present and future, are easily conjecturable. The United States would have been placed immediately in an enviable and dominant position in Chinese affairs.

The Anglo-Japanese Alliance received many kind words from the English government officials during the troubles in China. These flattering remarks were echoed and indorsed by official Japan, but none knows better than a Japanese that the advantage has all gone to England, to China, and perhaps to other powers interested in keeping Japan within bounds in her ambitions toward expansion. Through the alliance England was able to keep a

larger number of her war-ships in other than Eastern waters. Had the alliance not existed in 1912, there is no telling where the lines of the political map of China would be laid to-day. In all probability, they would not have remained as far flung, and England herself, when the smoke cleared away, might have found her sphere of influence shrunken almost beyond recognition. That a strong factor in Japanese politics turns toward Russia in hope of sympathy for the territorial and economic needs of Japan is not surprising; it is the most natural outcome of the Eastern situation. Russia is the avowed enemy or the natural ally of Japan, and the only thing needed to make a friendly alliance successful is a mutual and well-defined agreement as to a division of spoils—that is to say, China, the trade of her people, and their newly opened fields for economic exploitation. There is comparatively little gain for Japan in the alliance with England. There is everything to be gained by an understanding with Russia, especially when the possible antagonism of Germany is averted by a careful regard for her rights in the premises. No matter how the boundary-lines of China are drawn upon the political map of the future, it will be found that the lines of the spheres of influence will be laid as Russia and Japan may dictate, and they will invade for many hundreds of miles the territory over which may float the five bars of the flag of new China. No blame or even criticism can attach to such a

policy for these countries of the far East. It is a natural result of economic and political development and of the necessity for self-protection, and in all probability the territory thus directly or indirectly annexed will fare better than it would if left to the tender mercies of more or less independent Chinese governors. England herself has set an example in the past to her Eastern ally of the present, though it is human nature to regard one's own methods as reprehensible when turned against oneself.

The far East is still in that period of development when trade follows not so much the flag as the sphere of influence, and it is still a territory hedged about with conditions peculiar and unfamiliar to the Western merchant. Preferentials and discriminations find no lynx-eyed interstate commerce commission waiting in ambush. The diplomatic protest is the sole method of the defeated trade competitors, and governments are loath to start this machinery in motion for apparently trifling causes. It takes many weeks to exchange "notes," and explanations are prone to be accepted at their face-values for the larger reasons of diplomacy. The ethics of trade in the far East are not those of Europe or North America. "Get the business" is the slogan. How you get it is a matter of no consequence. If by political, police, or financial interference your rival can be crippled, such aids are permissible. If bribery and trickery of one kind or another are needed for success, there

is no one to say nay. Nor is public sentiment a sufficient force for fairness to render either government or individual likely to incur serious penalty.

It is for these reasons that the individual outsider, the simple seller of goods, makes little or no headway in China unless by some chance he has something for sale which is really wanted and cannot be secured elsewhere to advantage. Two great American business firms have made a success in China, the Standard Oil Company and the American Tobacco Company. The story of the years these organizations have devoted to developing their business, the vast amount of money so expended, the number of foreign and native experts employed to create a market for their wares, and the intricacies of their dealings with governments, would fill a bulky volume, and then the vital half would remain untold. It must also be remembered that these two American merchants deal each in a single staple with certain minor variations. They started out to fill well-defined needs with a guaranty of a market if their wares could be placed within reach. They possessed an advantage therefore which comes not to the man who goes in to create a market the existence of which is more or less problematic, or the man who enters modestly into an arena the gates of which admit at the same moment a thousand competitors of all nationalities.

By combination the spinners of England created a great market for English cloths, and then fought

it out among themselves as to who should get the trade. American cloth manufacturers came singly and distrustful of one another, found a fairly promising and active market for their novelties for a few years, and then lost the bulk of their business. In turn the Japanese, with their lower cost of production and their more adroit business methods, are crowding the English trade combination with such steady purpose that it shows signs of giving way before the attack. Some of the great trade organizations of the world have taken no steps to enter the Chinese field. For instance, in the matter of meat, China not only supplies herself, but exports hog products, and there is no apparent reason why some day in the future the people of China will not have enough of a surplus of bread and meat to supply Japan and other countries with a large percentage of their importations of these goods.

An enormous amount of cotton is now grown in China. Just how much no man can say, as statistics are lacking. As yet the cotton is not of very good quality, but with better methods of cultivation, improved seed, and a more systematic growing and handling of the staple, there is no telling to what extent this great industry may expand. Cotton is grown in China from the southern limits even to Manchuria, but in most parts it is grown as a catch crop in connection with other things, and not on large areas exclusively given over to the plant. The extent to which cotton is grown and woven into

cloth, mostly by hand, is strikingly shown by a few figures from which certain deductions must result. An attempt has been made to estimate the amount of cotton cloth used by the people in a year. It has been variously estimated at from two dollars and fifty cents to four dollars' worth per capita. Granting that at least two dollars' worth is consumed by every person, not an extravagant estimate it must be allowed, it would mean that the Chinese use every year eight hundred million dollars' worth of cotton cloth. In five years China has annually imported an average of about one hundred million dollars' worth of cotton cloth, yarn, and cotton manufactures. The annual output of the Chinese mills is about thirty million dollars. The imports of cotton manufactures are therefore only one eighth of the consumption, and the difference between thirty million dollars and seven hundred million dollars probably represents the value of cloth made by the Chinese themselves every year on hand-loom and from cotton grown in their own fields.

It would be easy to enumerate a thousand articles which might find an extensive market in China if the argument used was to the effect that, as there were none of these goods, then they must perforce be needed and would sell. There will be no great and sudden rush of modern goods into China. The market must first be opened and the people educated as to the extent of their general and personal needs. In brief, the treaty port must become a thing of

the past, the country opened to the foreigner, a common currency system be devised, protection given to patents and copyrights, and, above all, some method of doing business must be adopted which will facilitate exchanges of goods and money.

In agriculture improved methods of cultivation are possible in some directions, such as deeper plowing, improvement of seed, and the adoption of machinery in some localities. The construction of schools, modern buildings, bridges, roads, mills, public utilities, such as gas, water, electric-light plants, and local transportation systems, will come in time and rapidly, and the field therefor is unlimited, if only there can be secured a China safe and free for the native and the foreigner to come and go, transact his business, and take advantage where advantage lies.

The one great opening for capital and labor in China is in the building of railroads. The demand is imperative, and there need be no waiting after a permanent government has been established. With a strong government and a dependable army, China can gradually abolish the treaty port, open the entire country to foreigners, and effectively guarantee the safety of life and property for all those who behave themselves. This first great step having been taken successfully, there is no longer anything to hinder the advance of railway enterprise. China is the only country in the world of large size or great population that possesses so many congested



Photograph by Brown Bros.

The Harbor at Hongkong.

areas not reached by modern transportation facilities. There are now about 5700 miles of railway, or less than one fifth of a mile for each 10,000 of the population, and about three tenths of a mile to every 100 square miles of territory. This is a smaller apportionment than is to be found in any other country. The average cost of the railways of China has been a little over \$50,000 per mile. The first line of railway was laid in 1876, a narrow gage. It was not until 1883 that the road from Tientsin to Tung-chau was opened, and in 1897 the first road of importance, that from Tientsin to Peking, was used for traffic. It is within fifteen years, therefore, that the nearly 6000 miles of Chinese railroad have been constructed. The earlier days of building were marked by much discreditable dealing in franchises on the part of foreign adventurers, aided and abetted by native past-masters in the art of "squeeze." It is not altogether pleasant to find that Americans figured quite too prominently in these episodes. In the future, however, railroad building will savor more of legitimate enterprise, the profits to come from traffic rather than from "squeeze," in any form, be it at the expense of the Government or of the foreign shareholder. A number of contracts and concessions for new railroads were brought to an untimely end by the fall of the Manchu dynasty, many of these having been the subject of negotiations for years. As soon as it is possible to give some at-

tention to other than the police duties of the present Government, these matters will come to the front again.

There is a bewildering diversity of opportunity for trunk and branch lines, and a map of the China of the future will have drawn upon it thousands upon thousands of miles of railroad, paying satisfactory dividends to the shareholders, and directly the cause of the development of the industrial, agricultural, and commercial interests of the country to an extent in values the mind fails to grasp. In the history of the nineteenth century there have been vast tracts of country opened up by railroads, but few of these have contained more than a handful of settlers at the time of building. In China there are cities of hundreds of thousands, and whole provinces containing millions of people, and miles of fertile land already closely tilled and occupied, from which reach out not even a traveled cart-road on which the people can ride with ease or speed, or carry on exchange of commodities with their own fellow-citizens, to say nothing of reaching the markets of the world. Where boat transportation has been available, it has been used. Natural, and, in some regions, artificial waterways are numerous, and in the days before the railroad invaded its territory that wonderful artificial waterway, the Grand Canal, 850 miles in length, the construction of which was begun in the sixth century B. C., carried the production of the rich provinces of

Chekiang, Kwang-si, Shan-tung, and Chi-li to the sea.

Railroad transportation along modern lines is the secret of the future development of China. With it will come the modernization of China itself, the education of the people, the development of natural resources, the exploitation of industrial opportunity, the safety of the land from political or other disturbances, and immunity from successful armed invasion. In its wake will follow trade and commerce of every description. It is transportation, and that alone, which will destroy the Vision of the Great Wall, stir to its depths the Chinese mind, and transform the attitude of racial immutability into one of receptiveness.

In the ownership of railroads already under operation and construction the Chinese lead, then come the British, Japanese, Russians, Belgians, Germans, French, and Americans. Nearly all of the Chinese-owned lines are financed through England, so it may be said that up to the present time English interests are dominant in railroad development. With that largeness of vision for which idealists and reformers are gifted, Dr. San Yat-sen has for the moment dropped socialistic topics, and is working upon a plan for the nationalization of all the present railroads in China and the construction of new lines sufficient to link together all of the eighteen provinces. The improbability that his plan as to nationalization will be carried out, and the cheer-

ful optimism with which he talks of a project which will require several billion dollars to carry forward, do not detract from the value of the idea or its fundamental necessity in the making of the new China. Dr. San Yat-sen's visions will some day come true, though perhaps not in just the way or within the time he expects. Several years ago I met one of the most intelligent and best-educated Chinamen among the many to be found in his country. At one time he had been the Minister of Railroads. He told me that during his term of office the late E. H. Harriman, one of the greatest, if not the greatest, railway man America has produced, had talked to him of the future of transportation in China. Mr. Harriman predicted a wonderful future for that industry, and most earnestly urged the Chinese official to use his influence to secure the adoption of the best equipment which had evolved from long experience in the Western world. He said that China was starting anew, with every opportunity of breaking away from long-established precedents and prejudices. Mr. Harriman said that if he had the planning of the Chinese railroads, he would build nothing less than a six-foot gage, with correspondingly wide rolling-stock, and would make every passenger-coach a double-decker. He said it would reduce operating expenses by a third, and he was so convinced of the truth of this that if it were possible financially, he would not hesitate to convert the Union Pacific to a six-foot gage and

carry out the same ideas in the United States. The Chinese minister believed Mr. Harriman was right, but the building of railroads in China in the past at least has been one of finance rather than of advanced railroading, and as each railway line has been built, the source of the money has dictated the source of the engineering talent and equipment, and Western railroad conventions have found their expression even so far as to permit that always expensive blunder, a variety of gage for connecting lines. For years to come China will find the money for railway construction abroad, and foreigners will dictate the manner in which it will be spent. It is a loss that Mr. Harriman's ideas could not be carried out when so remarkable an opportunity is afforded, for then China might once more resume the part she played for many centuries—that of supply house to the world not only of natural species of animal and plant life, but of ideas practical, ingenious, or artistic. A map of already constructed, projected, and proposed railroads in China resembles the military map of a general planning the gradual subjection of a great country by slow but sure processes of penetration and occupation from well-defined bases of supply and operation.

Rail is made to supplement water until such time as the all-rail route will be the most desirable, as in other countries. The campaign in hand involves the well-known military plan of defeat "in detail," and the trend of development is not difficult to com-

prehend. Hanoi, Canton, Hong-Kong, Swatow, Amoy, Fu-chau, Ningpo, Shanghai, Hankow, Tsingtau, Chi-fu, Tientsin, and Dalny are the entrepôts of the south and east coast-lines. From Burma into China from the southwest, from Tibet on the west, from Russia and Korea via Manchuria into the northeast, the erstwhile "foreign devil," transformed into an industrial ally, is advancing. From Hankow, the great industrial center, radiate the lines which, already built, under construction, or proposed, will in time connect the coast and frontier gateways with the interior provinces and cities of importance. At Hankow is centered the iron and coal industry, where iron has been produced at \$7.50 per ton, or about seventy-five per cent. of the cost of production in England, Germany, or America. In fact, it is known that Chinese iron is in some of the war-vessels of the United States, the crude metal being imported at a profit by the American contractors who build our battle-ships.

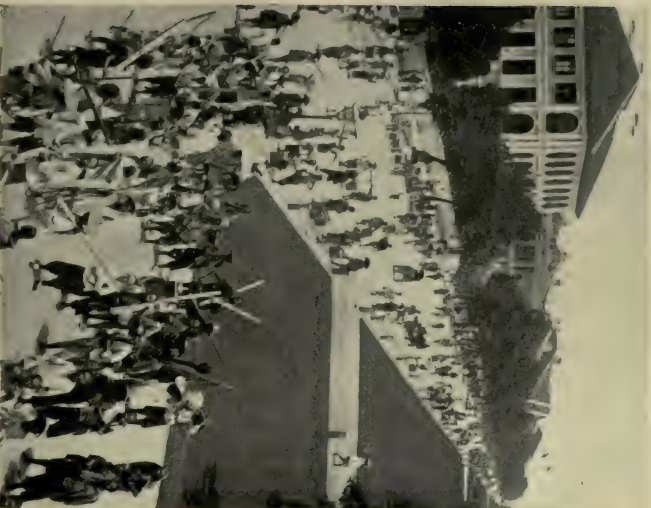
There is, in fact, nothing to cloud the vision in the future of industrial China; it is the problems of the present which will take time, patience, wisdom, and strength to solve. Their solution will come in the degree with which transportation facilities are provided, and Dr. San Yat-sen, with all his ideals and theories, sees with the prophet's eye when he grasps this material and all-important fact. Yuan Shih-kai, while in no wise depreciating the debt the

Chinese people owe to Dr. San Yat-sen, suggests that as the latter was born in Macao, has lived mostly in treaty ports and in foreign countries, he fails to see eye to eye with the Chinese; that he is not a real Chinaman, and does not know his people as they really are. All this may be true, but if the Chinese follow on solid ground as rapidly as possible in the direction the dreams of this idealistic republican may lead, they cannot go far wrong.

It is quite the vogue to speak of the overpopulation of China, and it is not alone the casual or careless observer who has spoken or written eloquently and impressively upon that theme. The real truth of the matter is that China as a whole is not overpopulated. The impression of overpopulation comes from an inspection of the congested areas, this congestion being due to a number of causes, principal among which is the lack of transportation. Given facilities for moving about, the population problem will in time solve itself; for there are vast areas of China waiting immigration and offering substantial advantage in return. No people in the world respond with greater alacrity to an opportunity for profitable labor than do the Chinese, and with their own country offering itself as a practical field for exploitation, no nation will take quicker or more profitable advantage. The building of railroads will not only give employment to hundreds of thousands of people and distribute money where it is needed,

but it will take people from a limited to a wider environment. Experience has shown that the Chinese are great travelers when travel is possible.

On account of the lack of data, the domestic exchanges of the Chinese are impossible of computation. Although the power of the unit is small, the aggregate is enormous. There is at present comparatively little actual money in circulation. The copper cash, of which it takes 2000 to make an American dollar, is the medium of exchange. Other than this the usual method of business is bartering with commodities. The tael, the measure of larger values, is a theoretical weight of silver the value of which does not exist as a coin, and yet all Chinese finance is expressed in its terms. There is said to be a collection of modern Chinese currency in existence which comprises 197 varieties, and the tael of one place has a different value from the tael of another. Roughly speaking, the tael at the present time is worth about seventy cents gold; but in the days of loans and refusals of loans, scarcity and sudden supplies of money, its value varies daily. No systematic development of business in China can come until a standardized form of currency is adopted, and that is one of the first things which will follow the institution of a stable government. One of the private contributions to the treasury of the new Government recently was a gift from a loyal republican of 5000 strings of cash, or 500,000 of these copper coins, an equivalent in weight of



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The Bund, or Promenade on the Water Front,
at Hankow.



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House-Boats in the Chukiang River, Canton.

copper to 500 Mexican silver dollars, worth about two hundred and fifty dollars in American gold. A people doing business with money a piece of which represents one twentieth of an American cent, have still far to go before imported novelties are common among the masses.

Living among the four hundred million or more Chinese there are about 75,000 foreigners, not including Japanese. There are probably over 100,000 of these latter people scattered throughout China, not including those in Manchuria, where the constantly increasing strength of Japanese influence is drawing many of the sons of Nippon. There are about 40,000 Russians, 10,000 British, 4000 Germans, 3300 Portuguese, 3000 Americans in China, virtually all residents of the treaty ports. These are the people who up to the present time have conducted the foreign trade of China, and will continue to do so until the treaty port is a tradition of the past. It would probably be conservative to eliminate at least 50,000 of these 75,000 foreigners, and say that the foreign trade of China, amounting as it does to about five hundred million dollars gold annually, has been carried on by the remaining 25,000, except the very large share handled by the Japanese. This foreign trade is impossible of analysis with any satisfactory results, owing to the great amount of indirect business. Over forty per cent. of this foreign trade is credited to Hong-Kong, a British possession of commanding position on the southern

coast, whereas few of the goods going into China from there originate in Hong-Kong, and a still smaller percentage of those imported remain. A final analysis of the Hong-Kong trade with America, Europe, and other parts of the world would be necessary to effect a proper distribution of the China trade credited to that colony. There are great stretches of Chinese frontier where there is no check upon imports or exports, and the details of maritime customs, therefore, do not represent the real or total foreign business. Through this custom-house, however, passes in a year about three hundred million dollars' worth of goods en route into the interior from abroad, and in the same period about two hundred million dollars' worth of goods are sent out to all parts of the world. Japan's share of the goods sold is about fifty million dollars' worth, and about forty million dollars' worth of Chinese exports go to Japan. England comes next with nearly as great a sale and only a quarter of the purchases. According to the maritime customs, the trade of the United States with a slight excess of purchases over sales, amounts to only about forty million dollars; but as a large amount of the goods credited as bought or sold by other countries find their origin in America, the figures are almost valueless upon which to base conclusions. Such as can be drawn from Chinese and American figures, however, are far from favorable to the United States. The Japanese have taken to themselves the larger part of a once promising

American trade in manufactured goods, especially cloths, and at the same time have made serious inroads into the British trade, once apparently impregnable in its hold upon the country. A single instance will illustrate the strength of Japanese competition. In Japan the sale of tobacco is a government monopoly, and the import duty is 380 per cent. ad valorem. The natural result is that the price of manufactured tobacco in Japan, except for some of the cheaper grades of native cigarettes, is higher than in any other country. That the Japanese are selling tobacco cheaper in China than at home is self-evident, as they are competing successfully against the American and English manufacturers. A responsible official of the Japanese Government Monopoly Bureau recently made the following statement in answer to a report that the sales of Japanese tobacco in Manchuria had decreased. He said:

All pessimistic reports on the future of Japanese government tobacco monopoly, which are mostly based upon the recent decrease of the government products from Nagasaki and Moji, are erroneous, because the decrease of shipments from Japan proper only means the increase of the demand for the products of the Oriental Tobacco Company, which is connected with the Japanese Government Monopoly Bureau. Of course the Japanese tobacco finds strong competitors in Manchuria in the shape of the British-American tobacco trust and some other foreign manufacturers. In fact, the Manchurian tobacco market is the scene of keen strife between them, and it is impossible to say that the

Japanese government tobacco holds a dominant position in Manchuria. The most formidable rival to Japanese tobacco is the British-American tobacco trust, which is employing every means to oust Japanese tobacco. Among the successful means adopted by it I may mention the employment of native Chinese in order to enlarge the market for their products, and they give special care to advertising. But the Japanese Government is determined to adopt every possible means to resist the trust and to monopolize the Manchurian market in the future for their products.

The concluding sentence of the above statement is interesting, inasmuch as it illustrates the attitude of Japan toward Manchurian business, and the general vigor of Japanese competition in China. It is doubtful, however, whether the tobacco users of Manchuria will fully appreciate the blessings of being committed absolutely to the tender mercies of the Japanese Government Tobacco Monopoly. The episode is also illuminative as to the capital, resourcefulness, and organization needed to establish a hold on the market for any staple article in China that is the subject of general competition.

The principal exports from China are native and natural products. Silk, beans, tea, cotton, skins, seeds, and vegetable oils forming over sixty per cent. of the total. There is little or no danger to the Western world from Chinese competition in general manufactures for export. Chinese labor is cheap, but it is untrained, and its efficiency, as compared with the European or American workman, averages about fifty per cent. Of a few things classed as

partly manufactured the Chinese may in time become exporters, but a rapidly expanding home market will absorb for many years to come the domestic production of nearly everything except raw materials.

The imports of the Chinese comprise largely cotton and woolen cloths, opium, metals and manufactures thereof, building-material, leather, and a long list of miscellaneous articles in varying and smaller amounts. The opportunities of the foreign trader in China lie in the expansion of the market for virtually everything grown or manufactured for the use of a civilized human being in the exercise of his personal or business activities. With the state of Chinese national finances the world has become familiar through the publicity given to the loan negotiations. The foreign debt of the country at the outbreak of the revolution was about three hundred and seventy-five million dollars, not a large sum when the possible revenue resources of the country are considered. The foreign creditor need have no fear for the safety of his loan, though the amount be doubled and redoubled. The revenue of the Government must be developed nearer to its possibilities, for in 1911 it was hardly one hundred and fifty million dollars, and the annual expenditure was nearly two hundred million dollars. To the debt given must be added the recent revolutionary loan, but with a carefully devised scheme of taxation of real and personal property and an increase of im-

port duty beyond the five per cent. which has long prevailed, there will be no trouble in meeting a budget of far larger proportion than is now presented every year.

In theory all land in China belonged to the emperor, to whom was paid an annual tax or rental in addition to other taxes assessed by the state upon rental value. Actual possession and the production of tax-receipts for three consecutive years have been considered proof of right to occupying permanently, or, in other words, of ownership of the land. Presumably this evidence will constitute a title in fee simple in view of the abrogation of the emperor's theoretical rights, and upon this foundation will be built up some sort of system as to land titles. The number of vital questions of this character which will in time present themselves to the new Government of China for solution and reconstruction defies the imagination, and the greatest problem of all to-day is to find the men of honesty, patriotism, genius, and executive ability who can carry on this tremendous work of reconstruction.

The China of to-day is a giant asleep whose slumber has been disturbed by stirrings from within. The torpor of the past is now broken by dreams and visions. Some of these are beyond practical realization, but others are soon to take substantial form. There are no fabulous riches lying ready for eager foreign hands to gather without effort, and yet the great area and population of China offer fields for

legitimate exploitation beyond computation as to results. An ancient civilization has played its rôle, and the time is come when modern minds with modern methods will give new life to a land moribund from centuries of feeding upon itself. No danger to the West lies in this regeneration.

XI

THE TRADE OF RUSSIA

If they knewe their strength, no man were able to make match with them: nor they that dwel neere them should have any rest of them. But I thinke it is not God's will: For I may compare them to a young horse that knoweth not his strength, whome a little childe ruleth and guideth with a bridle, for all his great strength; for if hee did, neither childe nor man could rule him.—From “The Voyage of Richard Chancellor, Pilote Major, the First Discoverer by Sea of the Kingdome of Moscovia, Anno 1553.” (*Hakluyt's “Voyages.”*)

THE day of the awakening has come, and nearly four hundred years after these Northern voyagers discovered “the Kingdome of Moscovia” the world is witness to the greatest economic evolution in history. A nation of 165,000,000 people, increasing in numbers at the rate of nearly 3,000,000 a year despite famines, wars, and the rigors of terrible winters, occupying an area of 8,650,000 square miles, or two and a half times that of the United States, and with a proportionate wealth of natural resources, is finding itself.

The results are not problematical. The same laws of progress and development now govern Russia as they have governed other countries in the



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Bundling Wheat for Export at Odessa.



Photograph by Brown Bros.

Odessa, the Great Seaport of Southern Russia.

past, and brought them to their present position of wealth and continuing prosperity. In all times some one nation has led the rest as the most powerful of all. It is equally true that no one nation has held this position for more than the allotted time. In the past the ascendancy of one people over another has been largely due to a greater spirit of aggressiveness or warlike tendency. In the future one nation will lead another through greater economic wealth and sturdiness of national character. In a broad sense the world is becoming commercialized, though in its best meaning this does not imply that the trader is the leader and the exponent of the nation's life; he is merely the means to an end. Through him the world becomes more of a kin; he opens the road to civilization with all its equalizing and protective features, and, having served as the pioneer, is then regulated through the influences which follow in the wake of his adventures. Despoiling the weak is no longer the unrebuked spirit of strong nations, and international neutralization is gradually spreading its protecting influence over a large part of the earth's surface. It is from the point of national wealth and national character, therefore, that the near future of every country must now be judged. The prophet of to-day talks not of wars and plagues; he foresees the true value of what lies in the ground and the strength or weakness of a people in realizing wisely or wastefully upon their entail.

The most powerful country of the future will be Russia, and her elements of greatness are writ fair across her thousands of miles of territory and in the character of her sturdy, peaceful, industrious, and phlegmatic people. The wealth of Russia lies in the ground, and centuries of industry will not exhaust the possibilities of expansion. From her 865,140,600 acres of forest, as compared with the 544,400,000 in the United States, will come the world's supply of timber. There are now 250,000,000 acres of land under the plow, whereas there is nearly double that amount in the United States; but Russia can expand her cultivated area twenty-fold and still leave virgin land for coming generations. From this vast farm will come the grain demanded by bread-hungry people in other lands. Oils, minerals, and fuel abound. The advance in development and transportation achieved each year will be the only measure of increasing national and individual wealth. Within the empire itself tremendous and complicated problems face the people.

Political, social, and economic conditions are as in no other land. It is only since 1861 that 22,000,000 peasants ceased to be slaves under the law, and it was some years after that before the law came into practical effect throughout any wide area. It was not until 1864, with the establishment of the zemstvos, or district assemblies that any measure of local government fell to the lot of the people. It was not until 1890 and the years follow-

ing that appreciable effort was made in the direction of general education. To-day twenty-seven per cent. of the people above nine years of age can read and write, this being an average for the whole empire, which includes the seventy per cent. of illiterates in Poland and the ninety-five per cent. of illiterates in central Asia. In 1912 the imperial budget provided for an expenditure of \$55,000,000 for educational purposes, and the local governments contribute nearly as much more. This is an increase of fifteen per cent. over 1911, and is over three per cent. of the total revenue of the Government. There are now 90,000 primary schools, employing 155,000 teachers, attended by over 4,000,000 pupils.

The change that this one feature of national life will bring about among the people of Russia in the next few years can be appreciated only when the conditions of twenty years ago are fully understood—conditions which gave rise to the stigma of “Darkest Russia.” The light is being let in, and with it are coming perforce changes in administrative methods and in political life which are replete with promise of a new and better era. It requires no effort of the imagination to picture the state of a great nation buried in ignorance and at the mercy of an educated and more or less unscrupulous bureaucracy, but it needs a heroic readjustment of preconceived ideas, a sweeping away of prejudices, and a wide comprehension, to grasp the

potentialities of a land and a people like these when latent natural wealth is made accessible and education and comparative freedom of thought and action are given to all. The process must be gradual; limitations upon material development are always severe, and the pace a disappointment to the enthusiastic. Mental and political development is even slower, for it is the new generation and not the old which goes to school, learns to think, and then acts upon the thought. Too rapid growth is dangerous, and unproductive of permanently good results. Some of the greatest and wisest men of Russia, men who have the interests of the country and its people unselfishly at heart, are among those who have been denounced in other countries as well as in their own as "reactionaries." The closer this really unknown land is studied, the more tremendous and overwhelming in their complexities appear the problems with which its rulers and the people are faced. They can be solved only through the coöperation of all classes.

So far this is a long way from being achieved, but progress has been made, and when all conditions and circumstances are taken into consideration, this progress can be regarded as comparatively rapid; for the work of modernizing Russia dates back no further than the birth of the German Empire or that of modern Italy; in point of fact, less than thirty years. In the last ten years the foreign trade of Russia has doubled, exports and imports

keeping pace one with the other in their increasing volume and value. Ten years ago this trade amounted to about \$700,000,000; in 1912 it is about \$1,400,000,000, of which fifty-six per cent. is exports and forty-four per cent. imports. This total foreign commerce, large as it appears, is considerably less than half that of the United States, though it is worth noting that in no ten-year period in its history did the foreign commerce of the United States ever increase by one hundred per cent., as did that of Russia in the last ten years, and there is every reason to believe that the present rate of increase will continue, barring such hindrances as great droughts or serious political or military disturbances.

The real growth and development of Russia are within. Her increasing foreign trade is only a sign of what is taking place in a gigantic and largely unexploited empire. Education is spreading slowly but effectively among the people; millions of acres of virgin land yield annually to the plow; railroads are steadily pushing into new territory; population is being transferred from the densely settled areas to the open spaces of Siberia at the rate of a quarter of a million every year. The land and the forests are being held by Russia for Russians, and settlement is a requisite of purchase. Manufacturing plants are increasing apace, and factories of all descriptions, ranging from the mills of Moscow, one of which, a cotton mill, employs nearly 20,000 people,

to the smaller establishments of the eastern-frontier cities, are all sharing in the benefits of the increasing purchasing power of the Russian unit.

The needs of the Russian people are not greater than their country can supply in time, but they are far beyond what is now being produced to supply them, or will be for many years to come. Hence they are faring abroad for markets for their raw materials, for raw materials to supply deficiencies of home production, and for the vast supplies of machinery and other manufactured goods needed to meet the demands of interior expansion and modernization now in progress and as yet only in its beginning.

It is concerning this country and this people, and at such a time, that the Congress of the United States saw fit to denounce a long-existent treaty of trade and friendship and create a situation the outcome of which could only be to the serious detriment of the American people in their political prestige abroad and to their loss industrially, commercially, and financially. This action on the part of the United States Government came as a complete surprise and no little of a shock to the people of Russia, from the highest official in the Government to the most modest Russian vendor or purchaser of American wares. To the not inconsiderable group of adventurous Americans who have entered Russia in the last few years and built up great and profitable business in importing American goods or

representing American financial institutions it brought bewilderment and consternation. The Russian Government, confident that it retained the right to adjust its domestic laws and economies as may be deemed best for the Russian people, or right or wrong, according to their own judgment or wishes, looked for a reason for what is deemed in St. Petersburg as unwarranted interference from without. It is recalled that within a recent year fewer than a score of naturalized Americans were refused permission to visit Russia, and these for serious political or economic reasons, while hundreds of Russians were refused admission to the United States on rulings from the immigration authorities, to say nothing of the hundreds of thousands of Russian subjects whom no steamship company would accept as passengers for America, knowing that, by reason of discrimination against the Asiatic races, they would be denied. The Russian Government's official attitude toward this action on the part of the United States Government was one of contemptuous resentment; contemptuous because it was believed that American politicians yielded to anti-Russian influences for purely selfish reasons; resentment because they found from their point of view no just cause for thus destroying in offhand manner the extremely friendly and profitable relations between two great nations—relations which had become a unique and historical example of long-continuing, unbroken, and even undisturbed friend-

ship. The diplomatic position in St. Petersburg was simple. The Russian Government maintained in effect that the United States had chosen to denounce the treaty, hence it rested with the United States to ask for a new convention. In the meantime the United States was dismissed from the official mind except that so far as governmental influence was concerned it became more friendly to the manufactures of other countries. In 1911 the Russian farmers bought \$27,000,000 worth of imported agricultural machinery, mostly American. The prospect of tariff discriminations against such an industry as this is viewed with anything but equanimity by those who have spent laborious years bringing it to its present stage of development.

With the expiration of the treaty with America, Russian farming interests and the zemstvos whose business it is to provide the rural inhabitants with improved machinery, began to seek new markets for the supply of harvesting implements. In the spring of 1912 the Minister of Agriculture ordered from abroad models of the machinery produced in the United Kingdom, Canada, Germany, Austria-Hungary, Sweden and France. Experimental trials were made at the stations belonging to the Farm Implement Bureau near St. Petersburg, at Akimovka and other places with scores of different reapers, binders, mowers, and side-delivery rakes, as well as horse-rakes, all of them strong competitors with the American products. Thus encouraged

by the Russian Government, effective competition to American interests has been given a strong impetus, all of this being due, of course, to the sudden break in relations between the United States and Russia, and it will take years to overcome, if such a thing is possible, notwithstanding renewed treaties, this stimulated competition.

American life insurance companies are carrying policies in Russia amounting to nearly \$100,000,000. To do this business they are compelled to maintain a cash reserve in Russian banks amounting in the case of a single New York company to about \$20,000,000. Through the antagonism which would result from the absence of a treaty, American financial institutions might be subjected to such restrictions as would make business in Russia impossible.

American figures of exports to Russia are of small value as showing the real state of trade between the two countries. According to the figures compiled at Washington, the direct exports to Russia in 1909 amounted to about \$30,000,000. In 1911 they were \$52,000,000, a growth of about eighty per cent. The truth is that more than twice this value is the real measure of American sales to Russia. Over one half of the trade is indirect, American goods being shipped to England, Germany, France, Denmark, Holland, and other countries, and credited as sales thereto, whereas they are immediately re-shipped to Russia, and in fact were bought originally on the trade-account of that country. Estimates as

to the real amount of American sales to Russia vary from \$90,000,000 to \$190,000,000, and the latter figure is probably nearer the mark.

There is reason to believe that American sales of one item alone—raw cotton—exceed the total amount of \$50,000,000 credited to the Russian import account from the United States. The annual consumption of raw cotton in Russia is approximately \$125,000,000. Fifty million of this is grown in central Asia; one fifth comes from Egypt, India, and other places, leaving at least \$50,000,000 to be bought from the United States, as there is no other place from which it can come. The American export statistics show that less than \$7,000,000 of raw cotton is sold to Russia direct. There is therefore over \$40,000,000 worth the purchase of which is credited to other countries, but which in fact goes to Russia and is paid for by the Russian cotton-spinners. Purchases of raw material such as cotton by one country from another are purchases of necessity, and no matter what the diplomatic relations of those countries may be short of actual war, this business continues. If the relations be unfriendly, however, efforts are made to supply deficiencies elsewhere or to stimulate home production to its highest possible point.

Dependence upon American cotton is a sore point throughout Europe, and millions are being spent by various governments and combinations of milling interests to create a cotton surplus elsewhere. Eng-

lishmen and Germans are developing African cotton-fields, the Dutch are at work elsewhere, and now Russia is spending enormous sums upon extensive irrigation schemes in the near East to enlarge the not inconsiderable cotton-producing area of the empire. In the case of manufactured goods, however, a nation has the markets of the world to choose from, and the American manufacturer meets the Englishman, the German, the Frenchman, the Belgian, and others in the fiercest kind of competition when he offers for sale the products of iron and steel, the textile mills, machinery, large and small, and, in fact, anything which, given the raw material, human ingenuity fashions to the hand of man.

It is in this field that diplomacy joins hands with commerce and industry, for modern diplomacy is based upon equal trading rights and trade extension. The foreign minister or secretary of state of to-day is judged by his people upon the success or failure of his policy as it affects the export trade of his country at the moment, or in its guarantees for the future. There is still much high-flown talk about national honor, the dignity of nations, and the cause of humanity, but careful analysis fails to discover in any recent international dispute or agreement a single instance where the maintenance of trade, its extension, or trade jealousy or rivalry, is not the fundamental question at issue. This is not to the discredit of diplomacy, nor does it put it on a lower plane than in the days when territorial aggression

or offensive and defensive alliance was the purpose of *pourparlers*. In fact, while it may lose some of its romance in the telling, the extension of commercial spheres for the most advanced nations is an extension of enlightenment, justice, and modernization which makes for the permanent betterment of those coming under their sway. A most effective and dangerous appeal to ignorance and prejudice was made not long ago by a certain cartoon which found its way into many American newspapers. It represented the hand of Uncle Sam grasping and waving an American flag across which was written the legend "Passport." An impression which will not stand analysis exists in the United States that a passport issued by the State Department is the same thing as the flag of the nation in that it demands equal recognition and respect abroad. This construction is an absurdity, for a passport is no more or less than a certificate of citizenship. It contains no clause giving the support of the issuing country to the holder should he do other than observe the laws and regulations of any foreign countries in which he may be traveling or residing. The same question which caused the strained situation between the United States and Russia was broached in the Parliament of Great Britain, for Russian laws and police regulations apply to English citizens traveling in Russia, as they do to the citizens of every other country, including the United States. The English Minister of State for Foreign Affairs, Sir

Edward Grey, very promptly informed the House of Commons that a treaty of commerce did not give the British Government a right to demand exemption for British subjects which are contrary to the general laws of a foreign country, and there the matter ended. Shortly after this the French government announced its adherence to a similar policy and Germany did likewise. Where it will end in the case of the United States no one can say. At the time this is written the outlook is not promising, as Russia cannot by reason of interior conditions yield the principal point at issue. There is no controversy, for it takes two to make a quarrel, and so far the United States has been the aggressor. Russia has accepted the situation, and her people have turned their attention to other fields for coöperation in the material development of the Russian Empire. In the language of the street, it is up to the United States to find a place to "get off," and at present there is no sign of a comfortable landing-stage.

The American Government assumes the right, and with entirely good reason, to regulate the use of the Panama Canal under an ordinary interpretation of a favored nation clause; but by the action taken in the matter of the use of American passports in Russia, it denies to the latter country the right to regulate its actual domestic affairs or enforce the laws standing upon the statute-books of the country. Russia has long accepted cheerfully and without question American discrimination against millions

of her subjects, and in a matter as vital to the Russian political and social system as the regulation of travel and population naturally assumes some if not equal right to act as her rulers deemed best for the safety of the individual and the peace and welfare of the community as a whole.

The seriousness of the situation brought about by this action of Congress cannot be overestimated either diplomatically or from an industrial, commercial, or financial point of view. It is realized by every American, official and other, living in Russia, or familiar with conditions in that country, that the United States was in the wrong; no one, not even those most closely concerned with the matter diplomatically, can suggest a way out, and yet Russia has agreed to a continuation of the treaty status, at least so far as commerce is concerned, for a sufficient time to allow some new adjustment to be reached, if such an outcome is possible. The apparently insurmountable difficulty in the way of a new treaty is the determined fact that Russia cannot give way on the one point which influenced the Congress of the United States to denounce the convention.

Fortunately for the United States, that country had at the critical moment in St. Petersburg as ambassador the Hon. Curtis Guild, formerly Governor of Massachusetts, a man whose knowledge of Russia and whose personal friendships among the Russian people rendered his services invaluable. His position was not enviable and even so it was due to

his patience, understanding and untiring efforts that the situation was bridged over.

Recently a well-known English writer made the statement that Russia afforded the most prolific field in the world for the novelist and the sensation-monger, and that the English-reading public had been so fed up with those forms of Russian literature that a writer who ventured to treat of the country in a normal manner, to attempt to tell of its wealth, its industry, and the real life of the people, would either find a scanty audience or be accused of interested motives; and there is much truth in this observation.

Russia is a country of tremendous contrasts and contradictions. The new jostles the old. A government and a people emerging from feudal conditions, absolutism, and superstition present a phase of national life somewhat bewildering to the seeker after truth. Ancient rights and privileges exist in close juxtaposition to new liberties and initiative, the former not always in harmony with the latter. It is a land which reaches south to north from the semi-tropics far into the undefined boundaries of the eternally frozen North; and west to east includes populous cities born of yesterday and others dating their beginnings centuries ago; mountain-ranges giving of their long-hidden precious metals under the persuasion of American machinery driven by American engineers, and great stretches of hundreds of miles of plain and shallow valley such as caused

the American pioneers to doubt the fact that the earth was round. On this land lives a people as varied in their physique and in their tongue as are the physical characteristics of their habitat. The big, slow-moving Russian peasant, with his ox-like strength and simplicity of character; the Tatar, the Mongol, and the Chinaman each have their place in the foreground as the traveler covers the ten-day journey across the country by rail from west to east. Far to the south the prayer to Allah is cried from the turrets of the Russian mosque with a fervor equal to that of the dweller in the land of the Turks, and over five per cent. of the Russian people are of the Jewish faith.

To harmonize this population, successfully to maintain a centralized government of all these races, so different in character, needs, and actions, is a stupendous task. To see that every part of this great land gets its fair share of all that the Imperial Government has to give; to guard these far-reaching boundaries against continually threatened invasion; to watch with jealous eye the constantly shifting political boundary-lines of contiguous lands, that the people of no part of Russia, west, south, or east may find themselves barred from free access to foreign markets by land or by sea—all this is not the work of an amateur or weakling administration. The Prime Minister of Russia, administrative director of the governmental energies of this great empire, affecting as they do the welfare of nearly



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The Bridge over the Oka River, Showing the Fair at Nijni Novgorod
in the Distance.



Photograph by Brown Bros.

The Great Bell Market at the Fair at Nijni Novgorod.

two hundred million people, has a responsibility lying upon him and a power in the world for good or evil such as no ruler of to-day or so-called world-conqueror of yesterday even dreamed of falling within his grasp. A wise expediency, a conservative progression, mark such a government, if it is to live. To compromise between the old and the new, the perfect theory and the actual possibility, is the task of rulers so placed, and the world must judge by permanent results in decades rather than in years, such judgment even then tempered by a real knowledge of the conditions to be met.

In this light it is evident that Russia is making progress toward that high destiny which is written across the face of things as they are within her imperial boundaries to-day. The great natural resources of the country are being conserved as well as developed. Method marks the cutting of timber, even with the countless miles of forest yet to draw upon, and forestration is even now a feature of treeless areas. Restrictions upon the acquisition of land are all in the interests of actual settlers. The Russianizing of the whole empire is proceeding with marked rapidity. The surplus population of the West is being moved into the sparsely inhabited East at an amazing rate. Several years ago it was decided to move a million people every year from west to east. In 1907, the first year of this governmentally assisted exodus, 800,000 Russians, men, women, and children, entered Siberia with the inten-

tion of making it their permanent home. This was found to be more than could be handled and assisted effectually. In 1908 over 400,000 were sent eastward, but the following year and since that date an average of 250,000 have been annually successfully transplanted to the open lands of Siberia, and the movement will continue indefinitely at about that rate.

Every family is allowed about \$1000 in cash, and for every male in the family is given about forty acres of land. Supplies are sold at long credits, the local banks assist financially in some cases, and it is interesting to note that the American harvesting-machine manufacturers have done a great deal toward opening up the grain areas by selling machinery on long time, taking their pay when the farmer has realized upon his crop. The losses which have accrued to American companies through giving these credits to the farmers have been less than one per cent. annually, a good record for any country and any people.

These American companies have also shown the Russian people that it is not only possible, but more profitable in the end, to do away with any system of commissions, bribery, or "squeeze," as it is known to the Chinese, in the sale of goods. This was an innovation in Asia, but from the beginning this rule has been adhered to in sales of American machinery, and is now recognized as an admirable peculiarity of American methods. Such losses as have come to

American firms doing business in eastern Russia have occurred through the failure or dishonesty of middlemen, or local agents. The Russian peasant or farmer is honest, and will pay if he can. The local agent, or middleman, ostensibly at least of better social business and intellectual status than the farmer, has not proved as scrupulous.

It is in the development and building up of new communities that the so-called zemstvos are proving their usefulness. These organizations may be compared to the boards of county commissioners which exist in the United States, but the powers of the Russian organizations are almost unlimited. They have complete local authority, subject only to the governors of the provinces. They have from fifteen to sixty-two members, representation being based upon population, and are elected by the people. The voters are those who pay taxes on at least \$7500 worth of property. In addition to exercising the usual functions of local government, such as taxation, road-building, school supervision, etc., they conduct agricultural credit banks, provide fire and crop insurance, maintain a medical department, give agricultural instruction, and conduct stores much on a coöperative plan.

Some indication of their activities is shown in the one item of agricultural machinery, for about thirty-two per cent. of all the sales made in Siberia in 1908 were made through these government agencies, and the agricultural loan made through

the zemstvos banks amount to many millions annually. As far east as Vladivostok the emigrant trains arrive daily, crowded with settlers, laborers, and soldiers. Farther to the west this emigrant movement becomes at times an actual blockade of traffic, and the most notable feature of it all is the amazing number of children ranging from babes in arms to half-grown boys and girls. They are a big, strong people, these Russian peasants, and their children give equal promise of sturdy physique. The men are given work in town and country, and the tremendous task of double-tracking the Trans-Siberian and of building the many feeder-lines now under construction, give employment to many thousands.

It is Russia for the Russians now in the East, and all foreign Chinamen have been given notice to go home. They are being ousted from Russian towns, and no longer outnumber the Russian in the construction work in progress everywhere. Thousands of Russian soldiers line the railroad from Europe to the Sea of Japan, and in northern Manchuria, ostensibly a Chinese possession, fifty thousand Russian troops guard the right of way and the small towns or groups of houses which cluster about every railway station. These soldiers are in reality only the pioneers of the home-builders who are en route.

From the inception of the enterprise the locomotives of the Siberian railroads have burned wood, but the wood-burner is now doomed. The great strata of coal which underlies the extreme eastern

part of Siberia is soon to be extensively worked, and with the expiration of the present fuel contracts on the railroads coal will be substituted. Westward from Vladivostok for hundreds of miles there is as yet virtually no human settlement, though the country is as promising, as fertile, and as inviting to the plow as were the millions of acres of the Dakotas prior to their settlement.

The word "Siberia" has always called to the mind great stretches of bleak or snow-covered landscape, intense cold, and human suffering and privation. It has figured in truth, in art, and in fiction as the scene of heart-breaking cruelties to chained gangs of prisoners, criminals, and exiles. Packs of ravening wolves sought out the lonely traveler, and to be sent to Siberia was to leave the world behind. There is still enough reality in these tales to serve as a foundation of truth in the telling, but this is not the Siberia of the Russian emigrant, farmer, and trader. It is the five thousand miles which lie east and west between latitudes 40° and 60° north toward which his ambitions lead. A new United States lies within these boundaries. The fertile plain, the broad valley, the virgin forest, and the massive mountain-range of the region all lie within the temperate zone. Cold in winter, warm in summer, the seasons regular and normal the year round, this is the Siberia traversed by the Russian Trans-Continental Railroad, and which is destined as time goes on to play a part, constantly increasing in importance and

seriousness, in the economics of the world. The productive power of this region is limited only by the degree of development attained, and its absorptive power will be of equally heroic measure. Cities and towns of no inconsiderable size are rapidly appearing at the most central points of the new settlement, and in many ways their life and appearance is reminiscent of the boom days of Western America. Novonikolaesevsk in ten years has achieved a population of over 50,000. Omsk, Petropavlovsk, Irkutsk, Tomsk, Nikolaievsk, Vladivostok, and others are as modern, as bustling, as prosperous, and are growing as rapidly as if they were situated west of the Missouri.

Nearly all of these prosperous towns are built on the banks of magnificent rivers, the names of which in some cases are familiar only to students of geography. These great and numerous streams constitute a system of natural waterways invaluable in the development of the country. In summer they are navigable for steamers of considerable size, and in winter they are highways of travel for vehicles. Their sources lie in the hearts of the great forests to the north, and their quick-flowing currents bear upon them rafts of timber of great size. The inland trade of Siberia has grown in ten years from \$30,000,000 to \$75,000,000, and in one province alone, that of Akmolinsk, there are held 105 yearly fairs, at which over \$50,000,000 worth of merchandise changes hands.

Government revenues increase only gradually, and with great and varied areas to be served in national utilities, make progress seemingly slow. In the matter of posts and telegraphs an unusual state exists, for on the operations of this branch of the Government in 1911 a profit of \$17,000,000, or fifty-one per cent., was recorded. In 1912 the profit was reduced to thirty-one per cent., showing that the service was extended and improved. It would be better that the entire profit were wiped out through extensions of facilities, for now there is only one post-office for every ten thousand people, and in the Moscow province, with a population of over 4,000,000, there are only eleven sub-post-offices. As shown by an annual decrease in the surplus, it is probable that the Russian post-office budget will in time balance itself or show a deficit, as is the rule in other countries. Labor legislation is coming in Russia much along the same lines that now prevail in Germany.

The status of the Russian laborer is not very different from that of his brother in other European countries. His wages are somewhat lower in many occupations, but in the large industrial centers of European Russia conditions are much the same as elsewhere. Of all the labor-strikes recorded of 1911, twenty-five per cent. were determined favorably to the strikers, and forty per cent. were compromised as between employer and employed. Nearly \$500,000,000 is now on deposit in the Russian savings-banks, and if the population of outlying

territory, where there are no banks, be deducted, the showing per capita is on all fours with that of many other countries where consideration for the interests of the wage-workers is much older in its application to national affairs. As it is, there are nearly eight million depositors, or more than in any other country excepting the United States, England, or Germany. In 1911 the foreign trade of Russia across the Black Sea and Finnish borders, together with the trade across the eastern boundaries by land and sea, amounted to over \$1,400,000,000. During the five years 1901 to 1905 the total foreign trade amounted to about \$350,000,000 annually. In the five years 1906-10 the annual average was \$980,000,000, and in 1911 it was, as stated, over \$1,400,000,000. The following figures illustrate the growth of the foreign commerce account in the last ten years expressed in millions of dollars:

YEAR	IMPORTS	EXPORTS	TOTAL	EXCESS OF EXPORTS
1902	275	425	700	150
1904	300	500	800	200
1906	322	514	836	192
1908	390	484	874	94
1910	490	713	1203	223
1911	600	800	1400	200

The exports for 1911 are thirty-two per cent. larger than the average of the five preceding years, and the imports show a gain of thirty-four per cent. The revenue from the customs for 1911, which amounted to \$173,000,000, shows a gain of twenty per cent. over the average for the preceding five



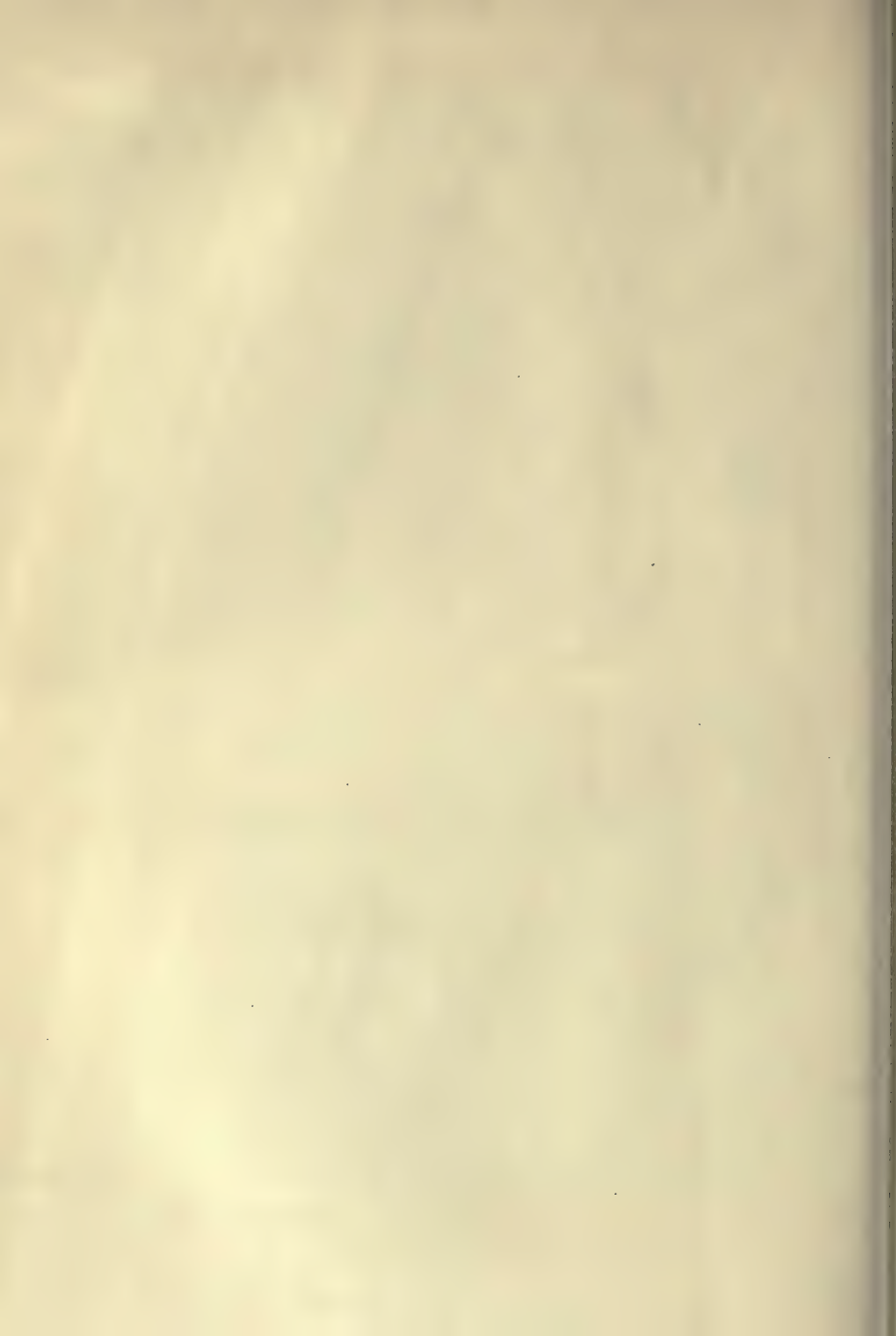
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The Sunday Market in Moscow.



From a photograph, copyright, by Underwood & Underwood.

Russian Peasant Women Working in a Salt Mine.



years. The customs dues of Russia amount to about twenty-nine per cent. of the value of the imports. Nearly half of the export trade of Russia is of grain, the entire export being roughly divided into food-stuffs, sixty-five per cent.; raw material and partly manufactured goods, thirty per cent.; animals, two and one-half per cent.; and manufactured goods, two and one-half per cent. The export wheat of Russia, amounting to nearly four and a half millions of tons, goes principally to Holland, England, Italy, France, Germany, and Belgium, in the order named. The barley goes to Germany, the oats to Holland and England, the corn to England, and the bran to Germany. The principal manufactures exported are rubber goods, textiles, crockery, glass, and metal goods. The exports of manufactured goods have not increased to a great extent in the last ten years, and probably will not for some time to come, as Russia is developing so rapidly within that the home market absorbs more of everything than can be produced with present facilities. The import trade of Russia for the last six years, expressed in millions of dollars, was as follows:

YEAR	FOOD PRO- DUCTS	RAW MA- TERIAL AND PARTLY MANUFACT.	LIVE STOCK	MANUFAC- TURED GOODS	TOTAL
1906	55	174	.500	93	322
1907	61	194	.550	106	361
1908	65	212	.762	114	392
1909	60	212	.800	132	405
1910	63	266	1.580	161	492
1911	69	266	1.780	190	527

As compared with the average of the preceding five years, the figures of 1911 show an increase in the imports of food products of fourteen per cent.; in raw material and partly manufactured goods of twenty-six per cent.; in live stock of one hundred and twelve per cent.; and in manufactured goods of fifty-six and a half per cent. The increase in food-stuff importations was due to the increased consumption of fish, this increase amounting to over \$26,000,000. Other increases noted consisted largely of fertilizers, building materials, machinery, and the thousand and one manufactured articles long in use in other countries.

The five-year average of manufactured goods imported into Russia annually tells the story of the growing importance of this trade to the manufacturers of the world. From 1897-1901 it was \$92,751,000. From 1902-06 (the period of the war with Japan) it was \$84,048,000. From 1907-11 it was \$140,440,000. The larger part of the export trade of Russia goes to Germany, England, Holland, Austria-Hungary, France, and Italy in the order named, Germany being by far the largest buyer of Russian goods. According to the figures of direct trade, Russia buys nearly all of her supplies from Germany, England, the United States, France, and Austria-Hungary in the order named; but if the indirect trade be taken into consideration, the United States comes second. Even then Germany, with her Russian sales amounting as they did in 1911 to \$250,-

000,000, is by far the most important trader. The position of Germany in Russia in trade, finance, and diplomacy is very strong. To Germany goes more of Russian produce than to any other three countries, and from Germany are purchased at least half of all the imports of the Russian people. Much of this is indirect business, it is true, the Germans acting as brokers for other nations; but a considerable profit on the transaction remains in Germany, and the mere fact of the enormously strong trade relation constitutes a powerful factor in holding the two peoples in close friendship and in giving to all German enterprise in Russia a predominating prestige.

The beginnings of this Russo-German trade date back many years, for geographic and racial reasons, but it has been encouraged at all points by the Germans themselves, or it would not have maintained its phenomenal lead over that of other countries. The effect of this trade is apparent everywhere. German is the most useful language in Russia to those who do not speak Russian. A stroll along any one of the principal business streets of Moscow or St. Petersburg will reveal the names of scores of German firms with large Russian connections, or, in fact, the names of many German firms whose sole business is in Russia. The Germans come, stay, and conquer in foreign trade matters here as elsewhere, because they do not deal through foreign agencies or commission houses, but through their own people on

the ground, to sell direct to the consumer. Another point in foreign trading which forces itself upon the attention everywhere is the banking facilities furnished to German traders by German banks or branches of German banks established in foreign cities. The bank and the trader arrive at the same time, and coöperate most successfully in their joint campaign for business. German railroads at home give low through rates on goods to any part of the world; German ships are waiting at the docks to carry the goods; German firms are at the other end of the journey to receive the goods and distribute them; and German banks advance the money to facilitate purchase, shipment, and sale until such time as the money is available from the consumer. Long credits are the rule in Russia, as in many other countries, and financial coöperation is a requisite of successful trading in a majority of cases.

English banks do little or no industrial or commercial business. Years ago there were private banks in England that worked in harmony with the English foreign traders, and it was partly due to the liberality and activity of these banks that the foreign commerce of England gained such headway as it did in far-away places. For one cause or another, these private or trading banks have disappeared in England, and in the financial districts money is now a commodity, as it is in the United States, handled without imagination and with no sympathy or understanding of the needs of foreign

business. An English or American bank of to-day is nothing more or less than a glorified pawnbroker, who will cheerfully lend ninety-five per cent. on a gold dollar as security, but will lock his moneybags when a man with orders for goods to be sold on long time in foreign countries comes asking for intelligent coöperation in the production and vending thereof. Able financial experts devote pages of good white paper and pounds of ink in England and America to criticism of the German industrial banking system, but whatever may be its faults at home, it is beyond cavil almost entirely responsible for the tremendous gains made in German and foreign commerce in recent years.

Nowhere is this illustrated more forcibly than in Russia, and here as elsewhere the class of goods sold by the Germans contains larger elements of labor and profit than the foreign trade of most nations. To export raw materials, food-stuffs, steel rails, and other staples at infinitesimal margins of profit when the home markets are slack may bring export figures up into the hundreds of millions, but it does not leave in the country of origin the paid wage-roll or the manufacturing or middle-man profit recorded of intricate machinery, novelties, chemicals, and other high-priced products of hand, loom, or other ingenious machines inspired by mechanical and inventive genius.

The United States buys from Russia about seven million dollars' worth of goods, eighty per cent. of

which are included in alcoholic product, glycerin, furs, hides, and skins. Among other important items of Russian export to America are flax, fusil-oil, and wool. In 1911, Russia sent nothing to the island possessions of the United States. There is no branch of manufacturing in which Russia competes seriously with America. Three years ago the Russian steel mills on the Black Sea underbid the American steel mills in the efforts of the latter to secure a large order from the Argentine Government, but since that time the Russian producers have joined the international steel conference, and serious underbidding is no longer feared from that direction. The United States sells to Russia about fifty million dollars' worth of raw cotton, eleven million dollars in agricultural machinery, five million dollars in leather, three million dollars in general machinery, a million and a half dollars in flour, a million in raw rubber, and the balance of her sales comprise a variety of manufactured products. In this latter classification it is encouraging to note half a million dollars in type-writers, and the same amount in automobiles. Indirect trade in these items adds largely to these figures, but is difficult of exact determination.

A number of great American industries have organized Russian companies and built factories in Moscow and elsewhere. Notable among these is the sewing-machine industry, which employs 4000 people in its Moscow factory, and is said to have 20,000

selling agents in the Russian Empire. The American harvesting-machinery interests manufacture in Russia such implements as fall under import duties in the Russian tariff, and import duty free those which are under the existing treaty of commerce. Should no new treaty be negotiated between Russia and the United States, it is evident that new extensions of the Russian-American factories must result, and importations from the United States must decline.

The result of this serious threat of discrimination against American goods is already felt throughout Russia. Experiments are now being made with German, Belgian, and other competitive machinery in the effort to substitute them for American products, and while the American machines have at present a tremendous lead in public favor, this is no guaranty that other countries will not ultimately derive advantage from the situation. It is true that American inventions may still dominate the Russian market, but the machines themselves will be manufactured in Belgium, Germany, France, or elsewhere to avoid any discrimination that might be imposed upon an American manufactured product. This is not such a difficult result to achieve as might be supposed, for the foundations are already laid, and one great American industry which has recently fallen under displeasure of the American Government will within a short time be able to supply its entire foreign trade from plants erected in other countries

than the United States, and thus restrict the output of American mills to the supplying of the home market.

Nearly one-half of the export trade of Russia leaves the port of Riga on the north, but the goods originate in Moscow and other inland cities. St. Petersburg, Libau, and other north-coast points share in the great shipping industry of the Baltic. To the south, Odessa, Batum, and other ports on the Black Sea are the outlets for southern Russia, and serve the near Eastern trade. In the far East, Vladivostok is destined to become an important commercial stronghold, and the entrepôt by sea of Oriental products, serving at the same time as the shipping-point for grain and other food products to Japanese, Chinese, and South Sea communities.

The great causes of trade increase or decrease in Russia are the fullness or poverty of the harvest and the peace or disturbance of political conditions in Europe and the near East. War in Persia, Turkey, or elsewhere in that part of the world has a directly unfavorable effect upon the total of Russian commerce. This is strikingly illustrated in the loss which has come to Russian trade by the closing of the Dardanelles for even a short time. Bad crops mean famine in large areas, and considering the vastness of the territory involved, it is not surprising that hardly a year passes that some part is not demanding relief for a stricken people. This feature of national life is so well recognized as a prob-

able annual occurrence that the Government deals with the same almost as a regular business, and the whole plan of relief has been systematized to the best advantage of all concerned. Business organization is not yet very strong in Russia, but is improving. Chambers of commerce are being formed, and in course of time the shipper of goods to Russia or the seeker after commercial information will find the same conditions there as elsewhere so far as the machinery of trade is concerned.

There is now a strong movement in England for political as well as commercial reasons to take advantage of the present development of Russia. In 1911 there were organized in Russia forty foreign companies for the purpose of doing Russian business. Out of this number, thirty were English, four were French, two Belgian, two German, and not one American. Out of the \$40,000,000 capital of these forty companies nearly \$35,000,000 were English money. In that same year there were 222 Russian concerns organized to do business in Russia, and one of them was an American harvesting company, with a large manufacturing plant in Moscow. As a nation, England is showing more interest in Russian industrial affairs than any other country except Germany. This interest comes a little late in the day for full advantage to be reaped, but the interest now shown in England is far more general and practical than has shown itself in the United States, with the exception of that manifested by a few powerful

American manufacturing concerns that are able financially to perform all the functions of buyer, manufacturer, seller, and banker from their own resources and within their own company organizations.

It is difficult to bring the mind to a full comprehension of the vastness of the Russian Empire and its interests. It is not a scattered domain of far-flung possessions, held at the cost of sleepless vigilancy, and constant treaty-making, but a great, compact possession; and yet while Russian diplomacy is demanding the neutralization of the far-Eastern border state of Mongolia, a quarter of a million men, or more than the entire standing army of Great Britain, are lying under arms five thousand miles distant from Mongolia, but still in Russia, to protect that country's interests in case the long-deferred but long-expected explosion takes place in the near East.

One nation's honor or dignity cannot be compromised for the sake of continuing favorable commercial relations with another; but it is a serious matter for one government, at the dictation of whatever interest it may be, or whatever may be the result to be gained at home, to destroy the long-existing friendship and profitable commercial exchanges of two peoples without a full understanding of the consequences of such action. The United States cannot impose its views upon Russia, for the good and sufficient reason that such views do not

coincide with the necessities of Russian interior government. The United States has no power to punish her old friend for not agreeing with her; in fact, quite the reverse, hence an *impasse*. Those upon whom the burden of this action falls diplomatically and financially are now trying to find a basis for honorable compromise. That they will succeed is probable and it is the earnest hope of every understanding friend of the two nations that it should be so.

XII

PROGRESSIVE ARGENTINA

ARGENTINA puts her best foot forward to the new arrival at Buenos Aires. After three weeks of ocean voyaging, the final journey up that majestic arm of the sea, the so-called River Plata, the entrance to the impressive docks, the landing at well-constructed quays, and the arrival at some first-class hotel—all these necessitate a readjustment of ideas formed years ago from geographies and tales of travelers. The broad Avenida de Mayo, with the water-front at one end and the domed Hall of Congress at the other, suggests Pennsylvania Avenue in Washington; but here the suggestion ends, for the life of Buenos Aires is all its own, characteristic and full of distinctive color.

This city of over a million and a quarter inhabitants, the fourteenth largest city in the world, has been called "the Paris of America," and in some ways the term is not misapplied. Leaving the Avenida, and walking through the narrow streets,—for, with the exception of the Avenida, they are all narrow,—one finds the same scant sidewalks, the numerous small shops, the flitting in and out of doors opening directly upon the sidewalk, as in the French

capital. Between the hours of four and six in the afternoon, vehicular traffic is prohibited along the Florida, the fashionable shopping street of the city. Then the youth and fashion of Buenos Aires go afoot, and the shop-windows are brilliant with their best display. It is evident, however, that the thousands who saunter back and forth are not there to shop. It is the social hour, the hour to look, to enjoy, to greet acquaintances, and perchance to catch a glance now and then which invites a less careless retracing of steps. These men and women alike evidently look to Paris for their modes, and when one reads the signs over the small but beautiful shops, and finds they are only a repetition of names seen before in Paris, London, Vienna, Berlin, or Rome, the natural racial affiliations of these people are understood.

“The big head of the little body” is what they say of Buenos Aires, for it holds a fifth of the total population of the country. But it is a misnomer, for while the city is big, and dominates in the field of national politics and social life, the real bigness of Argentina lies out beyond the confines of beautiful city parks, remote from the world-famous Jockey Club, the Colon Opera-House, and beyond the noise of the printing-presses turning off the great daily newspapers of the capital city.

Argentina is a country to be seriously reckoned with in the international economics of to-day and to-morrow. The tremendous potentialities of her

vast and temperate areas are only now dawning upon the harassed and food-hungry people of the world. The primary needs of the millions toiling in the densely populated centers of industry are bread and meat. As their eyes scan the world's horizon of production, the promise which lies in these million square miles of land is one of relief from the dire predictions suggested by the constantly increasing cost of existence.

Nature has her own system of conservation, which works out along the lines of least resistance. That which is ready to the hand is harvested first, and gradually, as the needs of the human race increase and grow more complicated, the remoter resources are brought into play. Ships find new routes, capital seeks new fields, the land-hungry journey farther in their search for the open, and with improved transportation enormous distances dwindle to every-day journeys, and thus new resources are tapped for those who barely knew of the existence of the lands in which the resources are found.

When, in 1896, the statesmen of Russia, looking for new and natural allies and for the betterment of the agrarian population, proposed to the Government of the United States that the bread-supply of the world should be cornered by the bread-producers, Argentina was second on the list to be approached. These negotiations were not made public until four years later, when the author published the fact that in November, 1896, Russia had proposed to the United

States Government a combination of wheat-producing countries for the purpose of establishing a price of \$1 a bushel for wheat, the price being then about 60 cents. The reply of the United States was in the form of a letter written by the late J. Sterling Morton, then Secretary of Agriculture, at the request of Richard Olney, then Secretary of State, in which Mr. Morton stated his belief that the suggestion was not in line with the purposes of a government such as that of the United States, and also his belief that such action would fail to accomplish the desired result. This closed the incident diplomatically, so far as the two governments were concerned. Should such a proposition be repeated to-day, Argentina would be consulted first, being at this time the second largest contributor to the international bread-supply, Russia herself holding first place. The story of any country is woven through and about the dry matter-of-fact figures of exports and imports. They tell the nature of the land, its latitude, its cultivation, and its future. They tell of the environment of the people, hence of their occupation and interests, and reveal much of their character.

Argentina is the greatest exporter of corn in the world; she sends abroad more chilled and frozen meat than any other country. Only Russia excels her in wheat exports, and only Australia contributes more wool to international trade. The story of her occupations is told in the fact that nearly \$4,500,000,-

000 of working capital is represented in the pastoral and agricultural pursuits and in the allied industries, while less than \$100,000,000 is involved in manufactures, and this includes electric-light and power plants used in the larger cities.

Along these pastoral and agricultural lines the future of Argentina lies. Her manufacturing industries will grow in variety and in value, but they will ever remain a comparatively inconsiderable part of her national wealth. Nature herself has set her limitations with no uncertain hand. A serious lack of fuel and water are characteristic of her vast areas. The great meat- and bread-producing regions are in the eastern half, and in their physical characteristics resemble western Kansas. To the west, and extending to the foot-hills of the Cordilleras, is the desert, which may be likened to Arizona. Along the foot-hills of the Andes, conditions prevail similar to those which hold on the eastern slope of the Rocky Mountains. To the north the sub-tropics are invaded, with a more plentiful rainfall and considerable forests of hard woods. To the south lies Patagonia, with its long reach down toward the Antarctic.

A physical map of Argentina shows no such drainage system as there is in the United States west of the Mississippi. There are no running streams, scarcely a gully, in a hundred miles. When it rains, the water stands in pools and lakes on the impervi-



Avenida de Mayo, the Pennsylvania Avenue of Buenos Aires.



The Docks at Rosario, on the Paraná River.

ous soil until evaporation causes them to disappear. There are plains and grass, plains and grass, as far as the eye can reach, and monotony as terrible as it is impressive. No mind afflicted with the fear of open spaces should risk itself at large in this land of far horizons.

Out of a total population of a little over 6,000,000, nearly one-third are foreign-born, and probably more than half of the other two-thirds sprang from foreign-born parents. Of the foreign-born, over 1,000,000 are Italian, or fully one-sixth of the present population. Nearly 700,000 were born in Spain, over 100,000 in France, 40,000 in Austria, 30,000 in England, and 25,000 in Germany. The rest of the foreign-born came in small numbers from many far places, or from other South American countries, Brazil furnishing the greatest number. As far as is known, there are fewer than 3000 North Americans now resident in the Argentine.

The influence of these various elements of population upon the nation is not at all in proportion to their numerical strength. The Italians, predominating, as they do, take little part in national affairs. Thousands of them come to the Argentine only for a brief and usually profitable visit. Fifty per cent. of them marry within their own nationality. It may be truly said that it is only the English who seem as a race to influence in any way the destiny of this kaleidoscopic population, fast welding itself into a

strong and distinct nation, already producing a type that, regardless of his racial ancestry, is known to the world as the Argentino.

This type, as it appears in the present generation, is a man of quick intelligence, a natural-born talker, proud, sensitive, ambitious, and patriotic, but apparently lacking in the grim persistence, patient endurance, and that faculty of initiative which brings results nationally and individually to the peoples of Anglo-Saxon origin. The Argentino thinks well of himself and his native land. With the record of growth in the last decade before him, he sees no reason why it should not repeat itself in the next. He brushes aside impatiently the economic law that property is worth what it will earn, and perhaps with some excuse, for the great fortunes of the Argentine have been built upon an increase of values startling in its suddenness and magnitude. The owner of a great estancia which, in former times may have been a week's journey from the market, may be pardoned an undue exhilaration when, after British capital has built a railroad through his land, he finds his estancia worth millions where it was once worth thousands.

The English nation has poured into this virgin field a billion dollars, nearly seven hundred and fifty millions going into railroads, and the rest into banks, estancias, and other forms of profitable industry. The Germans come next with, say, sixty millions, the French with considerably less, and no other na-

tion makes a showing worth the mentioning in comparison. Trade does not necessarily "follow the flag," but that it follows capital is an axiom of which England and the Englishman long ago learned the truth, and by which they have profited.

The record of Argentine imports and exports tells the story more significantly than words. In 1909, the Argentine, with a total foreign commerce of \$700,000,000, of which \$400,000,000 was exports, dealt with her trade allies as follows:

	IMPORTED FROM	EXPORTED TO
United Kingdom	\$99,198,269	\$80,745,066
Germany	44,555,770	41,353,332
United States	43,068,829	26,066,790
France	30,801,132	38,996,004
Belgium	13,570,074	41,306,799
Italy	26,868,106	12,635,710

Nearly \$100,000,000 worth of grain left the Argentine in 1909 without the destination of the vessels being fixed before departure. These vessels touch at some port en route "for orders," the consignees then sending the cargo where the market at the moment seems best. It is estimated that four-fifths of this grain goes to England, so fully eighty million dollars should rightfully be added to the above figures of Argentine exports to the United Kingdom. The figures of Argentine imports from the United States are not so advantageous as would appear upon their face, as a large part of the value is not in manufactures, but in lumber, oil, and other products representing little labor.

It is equally true that the shipments from England, Germany, France, and Belgium to the Argentine are mostly manufactured goods, in which the labor cost is a large proportion.

Racial affinity takes the Argentino to Europe for business or pleasure rather than to the United States. There is no immigration from North America, and the freight situation, as shown by the above figures, affords no return cargoes to the United States. In 1909, oversea vessels, to the number of 4095, entered Argentine ports, and 4199 sailed away. Of the 4095 arrivals, 522 came from the United States, one-half of these being small sailing-vessels, most of them loaded with lumber from gulf ports. Of the 4199 departures, only 83 steamships and 8 sailing-vessels cleared for North American ports. Briefly, this means that the cargo business between the United States and Argentine is nearly all one way. It is for this reason that it is found difficult to make any headway with American trade in coal, the same being a very large item in the Argentine trade with England. Ships must have cargo both ways or charge the entire voyage to a single cargo. This is a most serious drawback to the increase of American business in the Argentine, and it is difficult to see at this time just how the situation can be changed. A ship subsidy is suggested as a panacea for all such ills, but it would require a most formidable subvention to equalize the unfavorable conditions created by the fact that while the United

States has goods to sell to the Argentine in unlimited quantities, the Argentine has comparatively little in bulk or weight which finds a natural market in North America.

The result of this is that only one regular passenger steamer sails every month direct from New York to Buenos Aires, and the passenger traffic as it now exists finds this ample. It must not be assumed, however, that there is any lack of ocean transportation for freight or passengers between New York and the Argentine. Ocean freight is the cheapest commodity in the world, considering the service rendered, and there is always keen competition for cargo. From three to four dollars per ton is the rate from New York to Buenos Aires, and charters have recently been contracted for as low as \$1.75 per ton for this journey of over six thousand miles, a figure considerably less than the usual rate from Europe to Buenos Aires. The direct passenger and mail service is slower and less frequent than it might be, and probably should be, to stimulate exchanges between the United States and Argentina; but there is at present little apparent inducement for expediting the same, except for patriotic reasons, or in the hope that the future will justify the effort and the expenditure.

Once upon a time a wise and far-seeing President of the United States chose an excellent and able man to represent this country in the Argentine. When the minister took his departure from Washington,

the President gave him a photograph upon which were inscribed most complimentary sentiments, and good wishes for the success of his mission. Among other things written into this inscription was the expressed hope that this minister would be able to "increase the commerce of the United States and strengthen the bonds of friendship between the two countries." This photograph, with understandable pride, was placed in a prominent position in the reception-room of the legation in Buenos Aires. The intelligent Argentino visitor, awaiting audience with the minister, could scan the confidence-inspiring features and study the inscription at his leisure. When the minister appeared to welcome his visitor, the latter would point to the inscription with manifest pride in his perspicacity, and remark politely, "Don't you think it would have been just as well to put the friendship first and the commerce second?" The American minister would smile in that manner which made him beloved of the Argentino and reply with a slight tone of weariness in his voice, "You are not the first to make the same observation," and the caller would hastily proceed to the real business of his visit.

"What do you North Americans want here?" said a prominent Argentino to the writer. "We can understand that you want trade,—that is natural,—and when you send us capital and take our produce, you will get it. But what else is it you want? Why this enthusiasm for the Pan-American idea? We are

afraid of you, because we do not understand. Do you want to control our foreign relations? That is what we fear, and we resent it. We do not like to be patronized. We are a great nation, and can take care of ourselves."

When it was suggested that the United States was the first nation in the history of the world to enter the field of international politics from altruistic motives, and was therefore quite naturally misunderstood, the Argentino laughed incredulously and repeated his declaration of independence. The rivalry in naval strength which exists between Brazil and the Argentine, and which is expressed in the warships now being built for the two countries in the United States and in England, is indicative of the ambitions of these two great South American countries. A prominent Argentine government official was asked how many soldiers, out of a population of less than six and a half million, and a standing army of less than twenty thousand men, his country could put into the field in case of war. He replied thoughtfully, with an air of having made a close calculation, "We could have a million soldiers in the field in thirty days." This is the optimistic and confident attitude toward all problems which one finds in the Argentine character.

The government of the Argentine is a more or less intelligent oligarchy. The advantages of an oligarchy are stability and a consistent policy. The danger lies in a possible abuse of power and

the granting of special privileges to those within the circle. Even with a constitution much like that of the United States, and a government system conducted along the same general lines, there can be no sudden change in the party in power without an armed revolution. The government candidates are almost invariably elected through a complete control of the voting machinery. This is true to such an extent that, as a rule, the opposition presents a passive resistance only, contenting itself with propaganda and protest rather than with active participation in the election. The oligarchy is wise, however, for its continuance in power rests upon the acquiescence or indifference of a majority of the people, and thus it takes care to give the country an administration fully equal to, if not above, the average in intelligence and honesty. It is nationally ambitious, patriotic, and progressive. There are abuses of power and grants of special privileges, for which the people pay heavily, but this is not peculiar to the Argentine. The Government shows no fear in handling a crisis. Police and army are used without hesitation to preserve life, property, and order. In the courts justice is dispensed with impartial hands. Foreigners and foreign capital are not only guarded, but are welcomed with appreciation. It is a country of law and order, and will remain so, for the nation is intent upon its progress in all directions, and will brook no interference.

The Argentine is no country of "mañana." It

is a country of to-day. No law or custom breaks its stride. The conglomerate population is bound by few traditions and is open to suggestion. The people are certain as to their needs and the manner in which they should be filled. They decline the dictum of any one as to what they shall do or as to how they shall do it, but take kindly to advice. They are blazing their own trail, and following it up with confident feet. Those who desire to walk with them must fall into their gait as friends upon an equal basis, and not with an air of aloofness or patronage.

The hold of the English people upon the trade of the Argentine is legitimate and natural. From the earliest times it has been English money, handled by Englishmen, which has not only given the initiative push to Argentine development, but has never ceased to inspire it with increasing momentum. English money has built the railroads, established the banks and loan houses, encouraged the breeding of fine horses and cattle, and supplied merchandise suitable for use in all these enterprises. The English are recognized for their national characteristics—conservatism and stability, or dependableness. Their demand for returns upon an investment have not been high, and while in many instances they have realized handsomely upon the outlay or for the money loaned, they have, through bad times as well as good times, never failed to “stay put.”

That the English recognize the profit that has

come to them through Argentine trade was strikingly shown in the year 1910. For the first time in her history Argentina indulged in the expensive dissipation of an international exposition, or, rather, a group of expositions, in which all nations were invited to participate. The English promptly took advantage of this opportunity to show their goodwill. English merchants presented a \$50,000 clock-tower to the city. One English firm, which has done over twenty-five million dollars' worth of business in that country, presented to the Argentine Government a railway car de luxe, costing \$50,000, for the exclusive use of the president of the republic. The English section in the exposition which appealed most to Argentine commerce, that of railway and land transport, was without doubt the most extensive and the most attractive of all. The English Government responded to the request for aid in these enterprises, and furnished the men and money necessary to uphold the dignity of its representation and give a national character to the efforts of individual firms.

It is true that much of the trade between England and the Argentine is secured through these principal causes: first, England buys anything the Argentine has to sell, and in any quantity, thus furnishing cargo for north-bound ships. In return she sends manufactured goods and coal, thus balancing the cargo-carrying situation. Second, the English boards of directors of the English-owned Ar-

gentine enterprises naturally give preference to English supplies. It is only where the cost is manifestly and compellingly low that requisitions for supplies go farther than the English producers. This extensive exchange of commodities, which is built upon solid foundations and carefully nurtured, naturally brings with it much trade of a nondescript character that at first glance would appear to belong to any one who might ask for it.

Following close upon the heels of the English, are the Germans, natural-born traders. They are looking for no territorial conquests or political influence. They ask for nothing but business, and they are getting it. Their display at the exposition was second only to the English. The German merchants have presented to the city of Buenos Aires a \$50,000 fountain, to be placed in one of the great parks, a tremendous piece of artistic work in size and in quality. It is designed by German artists and is to be built with German money. Offered as a token of good-will, it has been gratefully accepted as such.

It is interesting to note that the traveler in South America finds no fear of England or Germany in the matter of territorial aggrandizement or undue influence in the turbulent field of South American politics. Such fear as exists is directed entirely toward the United States, and more distrust of the Monroe Doctrine is encountered among the people whom it was designed to protect than among those in Europe against whom it was originally directed.

The difference between the Englishman and the German, as he is found in the Argentine, is the continued insularity of the former and his dependence upon custom and trade momentum to maintain his volume of business, and the detachment of the German from his native land and his dependence upon competition solely to hold his own and secure new business. It has been stated upon good authority that possibly one half of the Germans in the Argentine have failed to maintain their active German citizenship by registering at the consulates once in ten years, as required by German law. The Englishman would as little think of endangering his English citizenship as he would of becoming a naturalized Argentine. He sends his wife home that his children may be born on English soil, and he makes no pretense of his belief that he comes of the greatest nation on earth. With all that, he is patient, understanding, and intelligent in his treatment of other peoples.

The German is adroit, works on a closer margin, is readier to take advantage of every opening, no matter how small. He is clever, patient, anxious to please, and if he does not happen to have just what the Argentine wants, he will make it to suit. His trade represents the greatest profit to his country of all trading nations, as he is a purchaser of raw material and a seller of the finished product.

The status of the trade of the United States in the Argentine is peculiar. A few big American cor-



Photograph by Brown Bros.

Loading Grain, Rosario, Argentine.



Photograph by Brown Bros.

Marketing Wheat, Argentine.

porations have gone at it carefully, intelligently, and with continued energy. American steel and iron makers have found a profitable field in which they have won a fair share of business in sharp competition with England, Germany, and Belgium. Lately, Russia has appeared upon the scene as a seller of steel rails, and her prices have upset all former market conditions. It remains to be seen, however, whether Russia can maintain her position for any length of time as to supply and prices.

American harvesting machinery takes care of the crops of the Argentine, as it does those of many other countries. The American oil companies supply the Argentine market with illuminating and lubricating oils. The American packing interests have gone heavily into the shipping of frozen and chilled meat, and now control probably fifty per cent. of the Argentine export trade in those products. As yet the shipments are all to Europe, but the time may come when the people of the United States will look to the Argentine to supplement the home supply of bread and meat. American methods have quite recently given the Argentine cattle-raisers a moment of bewilderment from which they have not yet fully recovered. During the live-stock show of last year the packing interests found a few head of Hereford steers to their liking, and ran the auction price up to over five thousand dollars for each steer, a world's record in the price of beef. It was an advertisement, costly in first outlay, but

it has set all the cattle-raisers of the Argentine in motion in the direction of better-bred stock, and has given them an idea of just what is wanted by the packing-houses. It was an object-lesson which will probably bring satisfactory results to both teacher and pupil, and it was an American idea.

Outside of these greater branches of American trade which have made an outlet in the Argentine, there are many others which have obtained a good footing, and more are yet to come. One hears the same discouraging stories here as elsewhere concerning American exporters: bad packing, neglect of the wishes of foreign customers, indifference to local conditions, and, worse than anything else, bad faith in the filling of orders not only as to quality and quantity, but as to promises. In the degree to which the manufacturers of the United States outgrow the idea that foreign trade consists merely of dumping a surplus upon an outside market to get rid of over-production, so will the foreign trade of the United States increase permanently with each passing year.

The Argentine needs to be studied. Friends must be made of her people. The needs of the country and its life must be catered to. The land and its inhabitants must be approached with open mind, and as worthy of all respect and consideration. These people stand in no need of patronage or condescension, and they resent it. They are intelligent buyers of nearly everything produced or manufac-

tured through the ingenuity of man, from diamonds to plowshares, from fine automobiles to bullock-carts, and they will go to market where they are treated as a favored nation, with honesty and good faith, knowing what they want, and whether or not what they are offered is of good quality and quoted at a fair price.

The reason for the success of the foreign trade of any country lies deeper than any over-production for home consumption. The exportation of raw materials and food-stuffs is merely a matter of supply and demand. For one nation to sell manufactured goods to another to the full amount allowed by the many limitations which govern trade is proof that the seller understands the buyer, and possesses a thorough knowledge of his needs, environment, and possible absorptive power. For this reason, "trade opportunities," as they are called, follow rather than precede intelligent effort toward trade expansion. It is only within very recent years that such a principle has governed national effort.

England, being the creditor nation of the world, depends largely upon the momentum of her money to create a "wake" into which English goods will be drawn and carried abroad. Germany has led the way in intelligent and scientific expansion of her foreign commerce. The United States, having men with brains, money to back them, and great material resources, is in a position to combine both methods and take the lead. The cry of the Argentino is for

the development of his country. He appreciates our expressions of good-will and reciprocates them, but asks more or less impatiently for American-owned banks, American-owned railroads, industrial and power plants, and wonders why they do not come. He hears of our great wealth, enterprise, and adventurous spirit, but he sees few manifestations thereof in his dealings with us. With much less than five million dollars of American capital invested in the Argentine, we ask the lion's share of Argentine trade for geographical and sentimental reasons. Is it greatly to be wondered at that we move slowly toward getting it?

What has been said of Argentina is true practically of the whole of South America, though there is no country on that continent whose people are more enterprising or modern in their tendencies than Argentina. The South American population is largely of the same origin, and its trading characteristics are more or less similar. Geographical and economic conditions are equally harmonious in their facilities and their difficulties. The trade of that part of the world is enormously important to the people of the United States, and it is by no means intentionally slighted in omitting a more detailed account thereof in this volume. It is, however to the older trading nations that we must look for principles to guide us in enlarging our international exchanges. In Europe lies the great mass of the consuming population of the world, present and

future, and there also are the producers whose work enters into closest competition with American products, not only in far-away lands, but in North and South America as well.

XIII

IF CANADA WERE TO ANNEX THE UNITED STATES

IN the year 1899 a Canadian election agent, who had long been identified with the fortunes of the Liberal Party, was a visitor in Washington. He expressed a wish to meet the late President McKinley, whose pleasing personality then pervaded the White House. "Nothing easier," said his American friend; and an appointment was made forthwith. The President greeted the Canadian visitor with that charming air of particular interest and personal pleasure for which he was famed, and the conversation quite naturally drifted into political channels. The Canadian was soon put at ease, and in the course of the interview said: "This is a very great occasion for me, Mr. President. I had looked forward to it as a remote possibility, but one which would mark a red-letter day in my life. I have felt that I wanted above all things during my visit here to shake hands with a man in whom the American people had so much trust that they placed fifty million dollars in his hands, and told him to go ahead and spend it as he thought would best serve the country in the controversy with Spain. It was

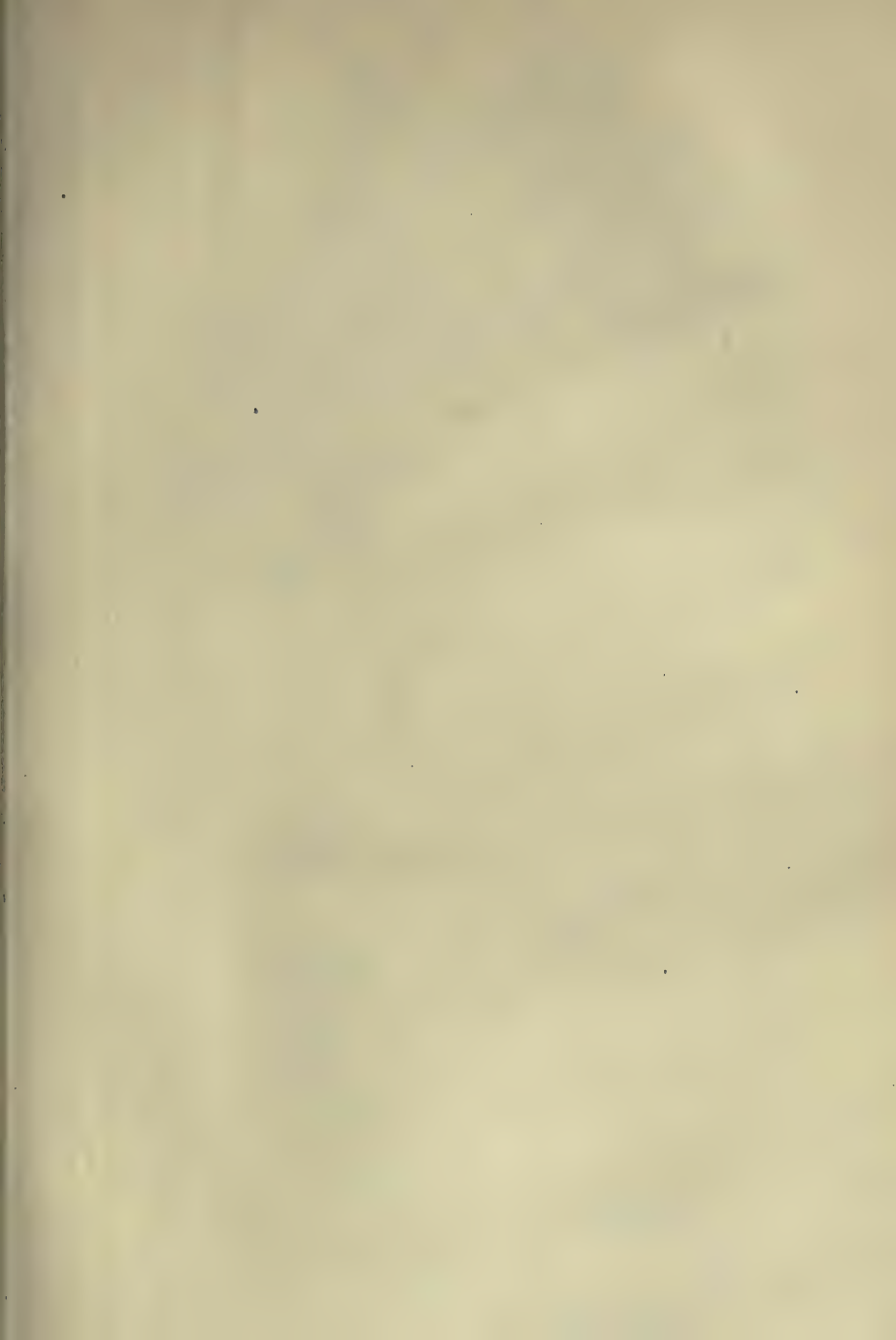
a wonderful evidence of trust and confidence, Mr. President; and I am proud to meet the man who was deemed worthy of it by a great, intelligent, and modern nation.”

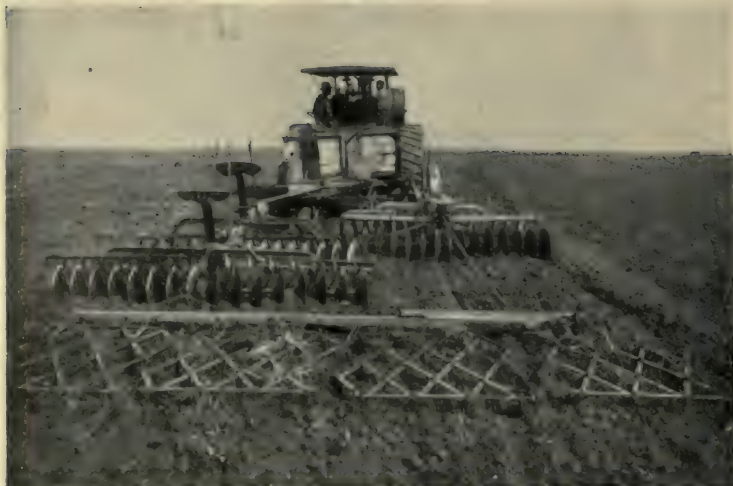
The President's face glowed with pleasure as the compliment passed, and he made modest and fitting reply. The Canadian then added: “But I want to say, Mr. President, that I consider it a most terrible waste of money. What do you get for it? Porto Rico, the Philippines, and a few other odds and ends, to say nothing of the loss to the American nation of many lives, the disturbance to business, and a thousand other evils that follow a war. I can tell you of a much better plan for increasing the wealth, size, population, and strength of this country. Give me two million dollars to spend in the next Canadian election, and I will guarantee the peaceful annexation of Canada to the United States—and look what you get!”

President McKinley was apparently much amused, and accepted the statement in the spirit it was made, that is to say, whether true or not, the suggestion was so far removed from the domain of the real as to prevent it from being seriously discussed. If it is possible in these days, however, for influences of various kinds emanating from the United States to turn the scale in a Canadian election against freer commercial relations between Canada and the United States, it is not impossible that this practical Canadian politician spoke with

greater knowledge and greater seriousness than he received credit for. It must be remembered that at that time there were avowed "annexationists" in Canada, and a party in favor of closer commercial relations with the United States was strongly intrenched in power with the Canadian voters.

When the Canadian Parliament, representing as it does, in the degree in which such bodies do represent, the Canadian people, votes \$35,000,000 as a contribution to England's navy, the consideration of Canada as a nation is forced upon the world. It is not that Canada has need of the British navy, any more than she needs a chain of forts along her southern border. It is because of the spirit of independence of natural laws of transportation, economics, and all other things that flow along the line of least resistance, shown by this act of fealty to an idea which might naturally have lost its vividness in crossing three thousand miles of water. England never did much to strengthen the tie between herself and Canada, and even now does little but talk. This talk is inspired by an awakening sense of the absolute necessity of oversea dominions to maintain the greatness of "little England" in the face of rivals becoming more formidable at an amazing rate. There is more human nature in the revival of Canadian loyalty to England, England's greater appreciation of Canada, and a joint cold shoulder to the United States, than there is statesmanship or economic wisdom. The natural routes





Photograph by Brown Bros.

Disking and Harrowing by Steam in Canada.



Photograph by Brown Bros.

New Grand Trunk Pacific Elevator at Fort William, Ontario.

of trade and commerce in Canada lead to the south; the character and social conditions of the people are North American, not English. The temperate zone of the North American continent, along the northern fringe of which lies Canada, is all one country in its aspirations and material progress.

I remember sitting in a London club one day at the time of the jubilee of the late Queen Victoria. Near me sat two Canadian army officers who were with the contingent of troops sent to the celebration in England. They were tall, raw-boned, leathery-skinned youths of the type now known to Europe as American. Seated in the club window, quietly and observantly watching the passing crowd, one of them suddenly blurted out to the other, “Well, there’s one thing I’ve learned on this trip, if nothing else.” “What’s that?” inquired the other. “Well, I’ve learned that I am not an Englishman, as I’ve always supposed myself to be. I’m a Canadian. We don’t know them, and they don’t know us; and what is more, while we are interested enough to try to know them, they just don’t care one way or another. Our point of view is different; and I’m going back home more of a Canadian than I ever was.”

When the Hon. William S. Fielding, formerly Canadian Minister of Finance, introduced his now famous budget to the Canadian Parliament several years ago, in which Canada virtually declared a tariff war upon Germany, he said quite frankly that

the important feature of this action was not the apparent hostility to Germany, but that such hostility might serve as a warning to the United States and to England. In brief, it was notice to the mother country that Canada was quite able and ready to act for what she might consider her best interests in fiscal matters, regardless of the wishes, feelings, or dictation of her august parent.

Canada has given to English goods preferential duties a third less than those assessed against the goods of other countries; in times of recent trouble she has given men and money; and now comes a contribution to the expense of British armament, amounting to nearly five dollars per capita for every man, woman, and child in the dominion. In return, England has talked of preferential customs duties, but cannot give them; she has talked of changing the law under which a Canadian citizen is not necessarily a citizen of England, but has not done so; she has talked of an armed defense, which is not needed and never will be, for, unlike Australia, the Canadians are protected from all possible enemies by the mere facts of geographical isolation and the presence to the south of a great and powerful nation which would in her own interest, if for no other reason (and there are others), permit no foreigner to alienate a square yard of Canadian soil. England must have the products of Canadian soil, and English emigrants would go to Canada in no greater or lesser numbers if the political tie between the two

countries were sundered. As a matter of fact, English immigrants are accorded the same treatment by Canada as those from other lands, and are not as welcome, because of the kind that England has sent.

The ties between five-sevenths of the people of Canada and the people of England are those of tradition, sentiment, and blood, while the like ties of the other two-sevenths are to France and the United States. It may be true that such ties constitute a tangible force, but that is a matter open to debate, and not to be settled until it comes to a question of international disputes. The ties between Canada and the United States are those compelling bonds of geographical and economic likeness, reciprocity of needs and markets, natural routes for trade and transportation, sympathetic financial exchanges, individual investments one within the confines of the other, to say nothing of the fact that more than a million Canadian-born—a number equaling one-seventh of the present population of Canada—have found homes and profitable occupation in the United States, within easy hailing distance of their native land; and in that land are perhaps half a million people, or more, who were born in the United States.

At the general election in 1912, nearly half of the Canadian people voted in favor of closer trade relations with the United States. A newly elected Democratic Congress in the United States has sig-

nified its intention of not repealing the Canadian Reciprocity Act, and there are Canadians who believe the day will come—and at no very distant date—when Canada will yet enter the door thus left ajar, and absorb to herself a share of the forces for expansion and growth of industry which are urging her neighbor to the tremendous pace of the present day.

Notwithstanding the inability of England to give, and her readiness to take, the people of Canada have heroically set themselves to the task of directing their national growth along the lines of strongest resistance. They will not succeed in the end; but this conclusion does not detract from world-wide interest in the struggle, or from the significance and interest of the results of this Canadian policy, which, as stated, originates more in the qualities of human nature than from the observance of economic laws and an attempt to take advantage thereof. The logical course of events, following the coöperation of human endeavor and natural laws, would be the unification of the North American continent, politically, industrially, commercially, and financially. That this will come sooner or later is inevitable. In the meantime, to maintain a political sympathy with an Old World and a more or less indifferent parent community, to confine transportation, industry, and social existence to lines laid east and west, and at the same time to maintain the somewhat strained pose of an independent nation, is

the task the majority of the Canadian people have set for themselves.

This self-styled nation is making a brave show at an ambitious task. A splendid national and independent spirit has arisen, and natural resources are being developed and farmed to the utmost. It has probably surprised the Canadians themselves to realize the present power of their word in affairs of the British Empire—a result not due so much to the weight of Canadian counsels as to the development of international affairs in Europe, but none the less gratifying to Canadian pride. The Canadian Government now finds itself in a position, for the first time in history, where its demands upon the mother country are not only listened to with respectful consideration, but are granted without much ado. Had it not been for Canadian insistence, backed up by the coöperation of other British possessions, the protest of the British Government over the action of Congress in the matter of the Panama Canal tolls would not have been so insistent; notwithstanding the alarm felt in England over the proposed reciprocity between Canada and the United States, the British Government was forced to leave the matter entirely in the hands of Canada, breathing a sigh of intense relief when it was found that the event was at least postponed. In many other cases where a few years ago all negotiations concerning Canadian affairs would have been conducted as between the United States and England,

the latter country has remained more recently a passive and subservient listener, standing ready to carry out the wishes of Canada when the negotiations came to an end.

Politically, therefore, Canada has finally won for herself the position of a practically independent nation, self-governed and self-contained except for the form of obtaining the now ever-ready acquiescence of the mother country in her final dealings with foreign nations.

This was made possible by the very reasons which will forever bar Canada from a like industrial, commercial, financial, or social independence. The geographical and economic dependence of Canada upon the United States forced England to proceed carefully in dealing with Canadian affairs, to prevent alienation and possible final separation by the wish and necessities of the Canadian people. This attitude is an acknowledgment in itself of the independence of Canada from Great Britain and her tendencies in other directions. However, to say that Canada never can achieve the full measure of her material greatness as an independent nation takes nothing from her present power or her splendid progress. In fact, the greater the latter, the more evident will be the need to extend her southern boundaries.

If the position were reversed from what it is to-day, and the proposition were to be submitted to the Canadian people whether or not they would

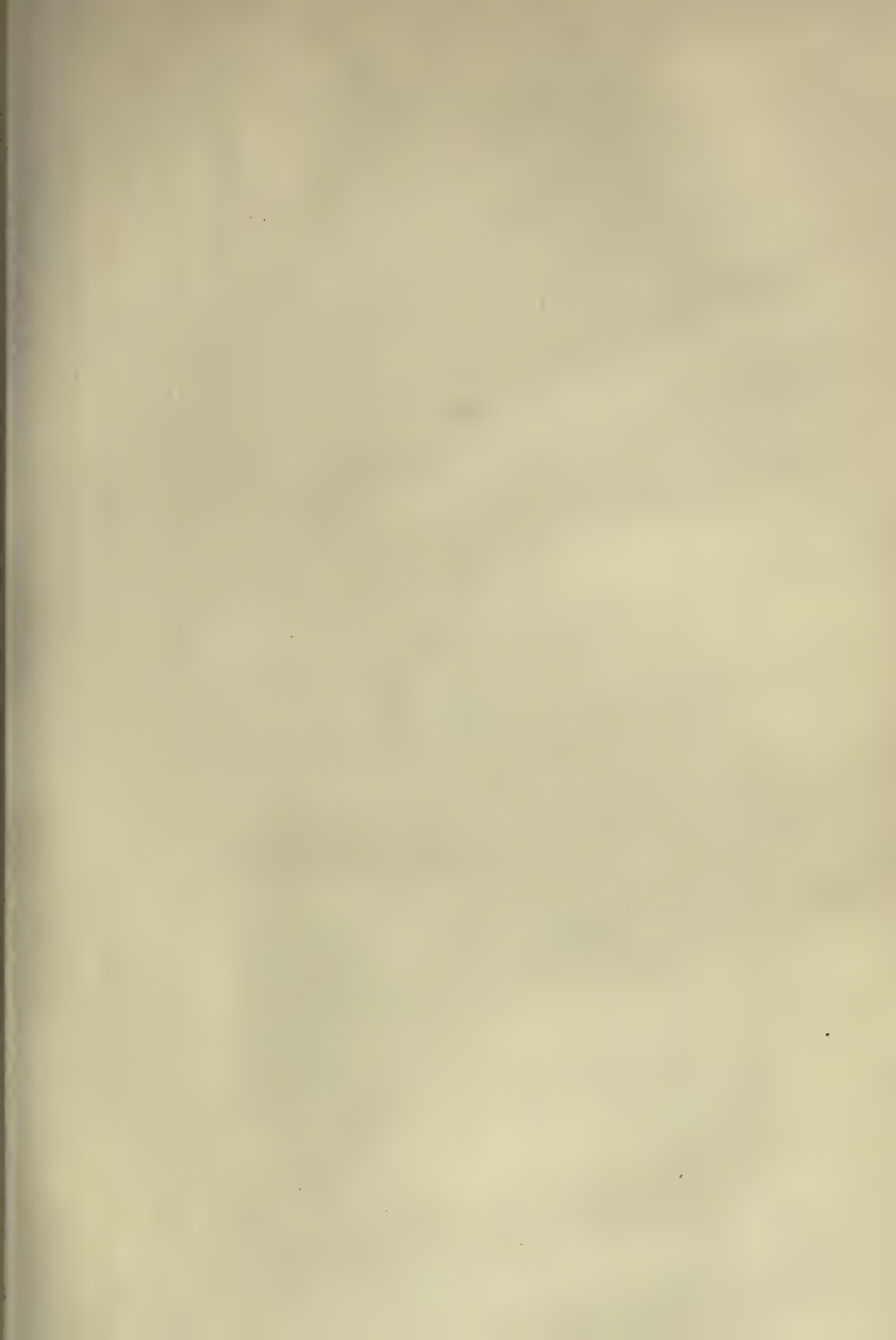
annex the United States, the vote would be virtually unanimous in favor of such annexation. The economic results would be the same as if the United States annexed Canada; the people of the whole continent would move forward at the same pace as that now observed in the expanding industry and internal power of the United States.

The reasons of Canada's handicap lie in a lack of geographical and economic balance. From a material point of view, the country is not self-contained. An artificial barrier extends across its southern boundary, forcing transportation to follow unnatural lines and rolling back the tide of Canadian productive industry upon itself. Rivers, lakes, and valleys flow north and south. Eastern and western Canada are separated by twelve hundred miles, more or less, of almost totally infertile country. The snow and ice of winter point to the southern route as the natural outlet for traffic during certain seasons of the year. The population is not sufficient to absorb the products of huge mills, big enough to manufacture at a price which makes possible competition with Europe and countries elsewhere. The greatest and highest priced marts of the world are across that theoretical line drawn upon the map and existing only as an idea in the minds of the people, a stimulus to local patriotism, and a hindrance to development in most directions. Her people are barred from the best in material prosperity, the best in the arts, in music and literature,

because these things come only where human beings congregate in sufficient numbers to make it possible to support them; and the cities of Canada never can reach that point of development where such will be possible so long as the pass to the south is blocked by even an idea.

With the aid of foreign capital—seven-eighths of which, by the way, is Scottish, not English—Canada has built her railways, her mills, and established her banks; with the aid of subsidies she has made possible her manufactures, and even her news agencies. Her per capita national debt is the largest in the world, a token in this case of amazing energy, courage, and enterprise, and not of fruitless wars or unproductive extravagance. The units of Canadian population are highly prosperous and intelligent, and possess a purchasing power superior to nearly every other community in the world. The profit of to-day, however, has come first from the rapidly increasing land values, and second from the fatness of virgin lands. There will be an end to this in its earliest and simplest forms. The profits upon the land have been largely taken; and while the virgin land is still yielding to the plow, and numberless thousands of acres are still untouched, the nuggets lying on the ground have been closely gleaned, and more scientific, systematic, and expensive effort is necessary to reap the harvest yet available.

Land values in the Canadian towns and cities have reached the danger point, and in some cases have





From a photograph, copyright, by Underwood & Underwood.

The St. Lawrence as Seen from the Citadel in Quebec.

exceeded it. There is an old and long-established law that land is worth only what it will produce, be it cash or produce for cash, and that in the end all values flow to this level. The material development of Canada will proceed upon sure lines, for it is based upon that measure of all values, the products of the earth; but the rate of development cannot be hurried beyond a certain point, and this, while satisfactory enough in itself, will not be at the pace the enthusiasts would have us believe. The same story has been written of the western United States, and as the conditions are virtually the same, history will repeat itself. Canada has this advantage, and that is the increasing population of the world and its increasing need or absorptive power, which is far greater to-day than in the decades when the western frontier of America was being pushed toward the Pacific coast.

With all this, the record of Canadian accomplishments is an amazing tale of wondrous energy and gigantic results. Put the figures of Canadian population, immigration, enterprise, and production side by side with those of the greater nations, and they are not large in comparison; but take them by themselves, as they stand, and they are pregnant with promise for the future of this land which stretches from the Atlantic to the Pacific, is only estopped on the south by an imaginary line drawn just where a greater prosperity should begin, and limited at the north solely by the degree of cold and the length of

winter that may control human endeavor in its strivings for material advance.

The science of government is more highly developed in Canada in some directions than in any other country in the world. A notable instance of this is in the administration and disposal of public land. Notwithstanding the vast area to be given away to settlers, there has been no prodigality or waste; the home-builder is the man that is wanted, and he is the only one that can secure title to arable land. The banking system is held to be superior to that of the United States; tenure in administrative and judicial office is based largely upon good behavior; immigration is restricted along protective lines; and the customs are administered with the least possible inconvenience to the importer or the traveler. In the endeavor to overcome the natural tendency of trade to flow north and south, and the limitations of her industrial present, Canada has been led into the doubtful byways of subsidy; but as the years progress, and the country adjusts itself, there is a notable tendency to be more chary in creating industries that must be kept alive by direct gift; and those already enjoying these special privileges have been warned to prepare for the day when public opinion will demand that they stand or fall upon their own merits.

The figures of Canadian progress tell a story of wonderful energy; and in one particular they are especially interesting and significant. The popula-

tion of Canada has not increased as might be expected, in view of her great industrial expansion. In fact, it has barely doubled in forty years. The population of the United States has in the past four decades grown about twenty-five per cent. in each succeeding ten years, while that of Canada has increased by thirty, eleven, twelve, and seventeen per cent. in the same periods. That is to say, while the population of Canada was doubling itself, that of the United States increased to two and a half times the number in 1871. In that same forty years, however, the productive and absorptive energies of the Canadian unit have increased enormously, until in these respects a point has been reached without parallel in any other country.

While, as stated, the population has about doubled in forty years, deposits in the post-office savings-banks have risen from \$2,500,000 to \$43,000,000; total bank deposits from \$67,000,000 to \$1,000,000,000; the national revenue from \$20,000,000 to \$118,000,000; expenditure for live-insurance from \$1,800,000 to \$20,000,000; the amount paid for mail and steamship subventions from \$286,000 to nearly \$2,000,000; the number of letters and post-cards handled by the post-office from 27,000,000, to 550,000,000; passengers on railways from 5,000,000 to 37,000,000; tons of freight hauled on railways from 5,000,000 to 80,000,000, and on canals from 3,000,000 to 43,000,000.

In that same time the national debt has increased

from \$77,000,000 to \$508,338,592. The total mineral production has grown in value from the figure of 1886, when it was \$10,000,000 to \$107,000,000 in 1911. Coal production has increased in value from \$3,000,000 to \$30,000,000, and total foreign trade in forty years from \$162,000,000 to \$771,000,000.

There are in Canada to-day about 1,500,000 families, and only about 75,000 of these are without a dwelling to themselves—a great record of a home-building nation. There is now nearly a billion dollars invested in Canadian manufactures. Nearly 400,000 wage-earners have a pay-roll of about \$150,000,000, and the product of their labor brings nearly the same amount of revenue to the nation as is invested in the productive plants. These figures are all the more extraordinary in that the figures of increase of population bear little relation thereto. It is the story of a great industrial awakening, following the discovery of latent natural resources which applied industry and intelligence have transmuted into wealth and profitable occupation for labor.

In the past ten years the population of Prince Edward Island, the Northwest Territories, and the Yukon, has decreased by 9, 14, and 69 per cent., respectively. Some of this decrease has been caused by changes of political boundary lines. Of the total increase in population nearly sixty per cent. has taken place in the four western provinces of Saskatchewan, Alberta, British Columbia, and

Manitoba, the relative expansion of these provinces in number of inhabitants being 439 per cent., 413 per cent., 119 per cent., and 73 per cent., respectively. The total increase of population in the last decade was 1,834,000, and it was distributed as follows: 1,117,000 in the four western or agricultural provinces; 354,000 in Quebec; 340,000 in Ontario; and 54,000 in New Brunswick and Nova Scotia. To the western provinces have gone the people seeking homes on the new lands, and to the lively towns and cities, which have become the centers of these great productive areas, have thronged laborers, purveyors to the wants of the settlers, those who offer facilities for the exchange of commodities, and the usual large percentage who, in a new country, live off the industry of others by taking advantage of the eagerness of would-be buyers and sellers to make quick bargains.

As in the history of every newly opened reserve of the world, fortunes have been made from a shoe-string by those shrewd enough to step in between the seller and the buyer in time to take a part of the profit to themselves. The man who buys acreage and sells town lots is the speculator who has made money the world over. The purchaser of the latter may in turn make profit for himself, but the cream has been taken by the prophet who can materialize the vision of the paved street across the plowed field or the prairie sod. All new or rapidly developing countries pass through this stage of

swift encroachment of town upon country, and up to a certain point it remains legitimate and normal, that is to say, so long as it fills the measure of need. The momentum, thus gained, however, has seldom failed to carry the movement beyond the legitimate, and numberless acres have been in turn sold for taxes, and the farmer's plow has turned up the stakes which were to mark the lines of pretentious boulevards.

The time of reaction is one of danger, and often of disaster. Western Canada has already passed through several periods of stress and trial of this character, and the early story of the now thriving city of Winnipeg is full of tragedy to those who were caught in the reactionary period of many years ago. After a certain time, however, these places find themselves, possibilities and impossibilities are recognized, and values assume true levels, which in many cases constantly but sanely keep pace in their rise with the development of tributary territory. It seems to be a truism that the prices of Broadway or the Strand could not be legitimately duplicated in Prairieville or Rocky Pass, but men surely sane and successful elsewhere apparently become intoxicated as they breathe the stimulating air of the Northwest, and, blinded by the vision of the future, they buy or loan in haste not only their own money but that of others, only to lose and curse their temporary aberration in the calmness of second thought or the depressing incident of a "busted

boom.” Optimism is the key-note of life in a new community, and the true story of the poor man who stumbled over a wheelbarrow-load of gold nuggets is the constant incentive to the weary prospector who is measuring his daily dole from his last sack of flour. It is a thankless task to measure real values in the Northwest at the moment, for no matter how high they may be placed, such measure meets with the approval of no one, neither of the man who has something to sell, nor of the man inclined to buy. The spirit of the gambler is in all human nature, and in none more than the frontiersman; and there is no check to its development in the high-strung, optimistic, and get-rich-quick communities living in the electric atmosphere of our far-flung northwestern horizons.

Genuine opportunity abounds, and the keen restless minds of those who blaze the way for the more conservative are impatient of suggested limitations. Perhaps it is just as well it is so, for, in the end, while some are trampled under the car, the final adjustment yields no higher death-rate in hopes than in older communities, and in the younger aspirant for civic greatness there is real opportunity for all; whereas in the older settlements there is often opportunity for those alone who already have the power and the means to create it.

An increase of 354,000 in the population of Quebec during the past ten years means a large natural increase characteristic of the French-Canadian in-

habitants, and a development of lumbering, mining, and fishing industries natural to any section of the world so easy of access and so rich in such resources. The population of Ontario, that stronghold of the British in Canada, has increased by 340,000. This is due to the development of manufacturing. Cheap power, raw material, and favorable natural location, with protection and bounty advantages, are being made use of by foreign capital. The recent decision of the United States Steel Corporation to build a \$20,000,000 plant in Canada is no part of a boom; it is only the maturing of plans made long ago in view of future possibilities, and a realization that the time was now ripe to move. The building of this plant bears no relation to the bounty now given on Canadian manufactured iron, for that is too uncertain, too political, too subject to the popular whim to base a great and permanent industrial enterprise upon. It is based entirely upon an economic situation deemed favorable to the establishment of an extensive and profitable industry.

The rush to the wheat-fields of the Canadian Northwest is easily understood. For twenty years Europe poured a great stream of intelligent, industrious farmers into the United States to take advantage of the free and arable lands. Not a few from eastern and central Canada crossed the line to the south for the same purpose. With the exhaustion of the more easily acquired lands, the tide turned more northward; and while the movement



Photograph by Notman, Montreal.

Asbestos Mine at Thedford, Canada.



From a photograph, copyright, by Underwood & Underwood

View on the New Welland Ship Canal.

has not yet attained, and probably never will reach, the flood-tide witnessed in the agricultural immigration into the United States, the same forces are at work, and the same results will be achieved.

In the days when the grain area of the United States filled up with people, wheat was fifty cents a bushel or less, and “dollar wheat” was the dream of the grain-farmer. The dream has come true, and this increase in value has given the movement strength enough to overcome serious climatic differences and remoteness from markets; or, in brief, it has equalized the line of greater resistance. In the last ten years perhaps 750,000 people from the United States have gone to Canada, most of them seeking homes. On the whole, this immigration has been of a very desirable class, and it is estimated that these people have taken with them to their new homes an average of about a thousand dollars in money or property for each man, woman, and child, or total assets of about \$750,000,000. Many a prosperous farmer, with perhaps a hundred and forty acres of land in Iowa, Illinois, or other good farming States, has thought about his family and realized that at his death his property would have to be sold in order that each might get his share. He has found that by selling his valuable but comparatively small farm at a good figure he would have enough to improve and stock at least six hundred and forty acres of the Canadian Northwest, thus giving him ample land at some time in the future to divide

among his children and leave each one with a workable portion. Canada has welcomed these settlers, as well she might. They have willingly become Canadians and are good citizens. Their influence will in time add insensibly to the force at work for the economic unification of the North American continent, though in the meantime they are as good Canadians as immigrants in the United States are good Americans, even in the first generation.

There is possibly about \$2,000,000,000 of British and other European capital invested in Canada, but it takes little active part in influencing the country politically or otherwise in the direction of its progress. As a rule, the English send out their money in hopes of larger earnings than would be had at home—and to escape the income tax; France, for the income received therefrom; both people investing in listed securities rather than industrial adventures. It is not quite the same with \$350,000,000 of American money that has found its way into Canadian investment. Much of this money is engaged in enterprises based upon Canadian trade, protected by Canadian tariff, benefited by Canadian bounties, and competitive with American capital at home. The force of this influence, taken with antagonisms of similar character originating south of the Canadian boundary, and the active aid of certain high-tariff enthusiasts in the United States, enabled the anti-reciprocity party in Canada to score over those in favor of closer com-

mercial union between the two countries. It might not be comforting to the pride of Canadians to know or to have it said just how far these influences went in deciding the political fate of the Dominion at the moment, and it might detract from the quality of the self-gratification of the English to know how this so-called manifestation of Canadian loyalty was really brought about. It is equally true that those in the United States who worked so long and so ardently for greater freedom of trade with Canada, believing it would result in great good for their own country as well as for Canada, are not inclined to cheerfulness when they realize just how much of their defeat they owe to the antagonistic influence of their own fellow-countrymen, directors of American industries which have grown into perhaps too great power in the nation through the willingness on the part of the American consumer to contribute liberally, so that all branches of human endeavor might prosper together in the general advance of the nation. Just how far the reaction in favor of reciprocity has gone in both countries since the last Canadian election, it is impossible to say. It is reasonable to assume that none who voted in favor of it has changed his opinion, and it is a matter of public and private record that a goodly number of those who voted against it in Canada have changed their opinion since the smoke of battle cleared away and it has been possible to put a true value on the injudicious or untrue statements of politicians, be

these of an allegedly humorous character or not. This question of the economic unification of North America is a living issue which will disappear from the national life of the two English-speaking countries only with a fulfilment of a commercial union practically complete. When President Taft authorized his secretary of state to offer complete free trade to the Canadian Reciprocity Commissioners, as a basis for negotiations, he was not suggesting the impossible; he was merely ahead of the times, for some day one of his successors in the White House will have the honor of carrying the suggestion into practical effect.

The period of great development in Canada began in the decade from 1891 to 1901, when the foreign trade of the country increased by about \$170,000,000, or in other words doubled itself. In the following decade it increased by nearly \$384,000,000, or nearly doubled itself again. A few figures show most strikingly how during the past twenty years the new Canada was begun, and came into her own, for her foreign trade progressed as follows:

Years	Exports	Imports	Total
1871	\$ 74,173,618	\$ 96,092,971	\$170,266,589
1881	98,299,823	105,380,840	203,621,663
1891	98,417,296	119,967,638	218,384,934
1901	196,487,632	190,415,525	386,903,157
1911	297,196,365	472,247,540	769,443,905

In the past forty years, Canada increased the export of the products of her mines from \$3,700,000 to \$43,000,000; fisheries from \$4,000,000 to \$16,000,-

000; forests from \$23,000,000 to \$46,000,000; animal products from \$13,000,000 to \$53,000,000; agricultural products from \$10,000,000 to \$90,000,000, and manufactures from \$2,500,000 to \$44,000,000. Her greatest gain in the export of any one item has been in wheat and wheat flour, for in 1871 the exports were valued at \$3,560,000, while in 1911 the value reached about \$60,000,000. The wheat production of the United States is about 620,000,000 bushels valued at about \$555,000,000. That of Canada is about 216,000,000 bushels valued at about \$140,000,000. The average yield an acre in Canada is more than twenty-one bushels to the acre, or more than seven bushels an acre greater than the yield to the South. In 1912 Canada had 32,500,000 acres planted in field crops, 10,000,000 of which were in wheat, and nearly 10,000,000 in oats.

The foreign trade of Canada has been distributed among the four principal nations, for the past forty years, as follows:

UNITED KINGDOM

Years	Imports	Exports	Total
1873	\$ 68,522,776	\$ 38,743,848	\$107,266,624
1883	52,052,465	47,145,217	99,197,682
1893	43,148,413	64,080,493	107,228,906
1903	58,896,901	131,202,321	189,109,222
1911	109,936,462	136,965,111	246,901,573

UNITED STATES

Years	Imports	Exports	Total
1873	\$ 47,735,678	\$ 42,072,526	\$ 89,808,204
1883	56,032,333	41,668,723	97,701,056
1893	58,221,976	43,923,010	102,144,986
1903	137,605,195	71,783,924	209,389,119
1911	284,934,739	119,396,801	404,331,540

GERMANY

Years	Imports	Exports	Total
1873	\$ 1,099,935	\$ 76,553	\$ 1,176,478
1883	1,809,154	133,697	1,942,851
1893	3,825,763	750,461	4,576,224
1903	8,175,604	1,819,223	9,994,827
1911	10,047,340	2,663,017	12,710,357

FRANCE

Years	Imports	Exports	Total
1873	\$ 2,023,288	\$ 31,907	\$ 2,055,195
1883	2,316,480	617,730	2,934,210
1893	2,832,117	264,047	3,096,164
1903	6,580,029	1,341,618	7,921,647
1911	11,563,773	2,782,092	14,345,865

The two great traders with Canada are the United States and Great Britain. More than ten years ago Canada gave to certain classes of imports from England a special reduction of duties amounting on an average to about 30 per cent. These special favors are doubtless responsible for a part of the large and sudden increase of imports from England in the past decade. What would have happened to British trade in Canada without these tariff concessions is not a cheerful subject for discussion among British manufacturers, for even with it the Canadian exports to England form the large part of such increase of trade as has been noted. Trade between England and Canada has increased as a whole by about 140 per cent.; but while imports from England have risen in forty years from less than \$70,000,000 to about \$110,000,000, exports to England have risen from less than \$40,000,000 to about \$140,000,000. In the same forty years exports from the United States to Canada have increased from about \$48,-

000,000 to about \$285,000,000, while imports from Canada have gone from \$42,000,000 to about \$120,000,000, or a total gain of about 35 per cent. This has been accomplished without tariff concessions on either side, in fact in the face of considerable antagonism.

The reasons for American success in the sale of manufactured goods in Canada in competition with other nations favored—as in the case of England—with lower customs duties, are not entirely geographical. Not only are many of the largest Canadian industrial plants of American origin, or even branches of American institutions, but American capital is interested in the success of many others where this interest represents only partial ownership. Other forces at work originate in the enterprise of American business men. In a report to his Government the British trade commissioner for Canada says: “The geographical advantage of our friendly American rivals is fully realized, but the lesson pressed home every day and hour is that they are more aggressive in trade methods, spend more money in selling their goods, are quicker to make any suggested change in patterns, smarter in business methods and in design of goods, quicker in delivering, even when due allowance is made for difference in distance, and advertise more fully and with greater judgment.”

England's trade with Canada is based upon the necessities of the mother country in the matter of

food supply and raw materials; hence the increasing Canadian export of the products of the farm and forest. In supplying the needs of Canada the British manufacturer meets in competition the best equipped of all American industries; those which deal in building supplies of all descriptions, machinery and railway equipment. English trade in Canada will continue to increase, but any hope on the part of Europe to oust the United States from the lines chosen is doomed to disappointment. Even with free trade within the British Empire, the situation might not change materially, though it might lead to a greater investment of American industrial capital in Canada—a course of events that would in time militate even more strongly against British trade supremacy than does the present situation, for competition would then come from within instead of without. The development of Canada is the only measure of the future of American trade in Canada in nearly every direction, and the only way in which Canada can share fully in this rising tide of industrial activity is to make a flank attack upon the “friendly enemy” by permitting a freer exchange of commodities than is now allowed, to which the United States stands already committed. This would mean an increase in Canadian production and population such as has not yet been recorded even in the recent periods of remarkable gain.

It is not within the scope of this article to treat of other than the material side of Canadian develop-

ment, and yet such treatment leaves much unsaid that has a direct bearing upon the present and future of this old-new country, which is so rapidly coming into its own. Commercial and industrial development have been rapid, and yet there is another Canada including within itself all the activities of human thought. Literature, art, and science are making amazing strides, stimulated by the optimism that pervades the life of this northern land. Long before preferential tariffs or reciprocity treaties with Canada were seriously discussed by foreign nations, as being of real advantage to them, Canada had made her impress upon the life of the world through the genius of her sons and daughters. In fact, the bygone days of calm contentment with things as they were; acceptance of a position in the world's affairs as that merely of a colony of a far-distant country, gave time for introspection, and the cultivation of the graces of the mind. In those days were laid the foundations of Canada's great institutions: her schools, her libraries, her universities, her laboratories. Still farther back in history were enacted the heroic deeds of her soldiers and her pioneers, which have yielded to the Canadian people a pride of race all their own, and made easy the adoption at a later date of the so-called new national policy to which the people now pin their faith.

There is no rivalry between the United States and Canada. The interests of the two peoples are iden-

tical; the needs of both countries can be filled, one by the other. No thought of conquest originates south of the Canadian boundary, and no thought of surrender from within. The resources of Canada, developed to their utmost, are but supplementary to the needs of the people of the whole continent; and to the south lie the great masses of population which are increasing in density at such a rate as to invite the prediction that before many years have elapsed it will require the highest potential energy of both peoples to supply their actual wants. The extension of American trade in Canada cannot be checked by laws or restrictions; the expansion of American markets for Canadian produce will be measured only by the ability to supply.



Photograph by Brown Bros.

A Petroleum Field in the Middle West.



Photograph by Brown Bros

Steel Furnaces Dot the Eastern United States.

XIV

THE FOREIGN TRADE OF THE UNITED STATES

QUEEN ELIZABETH was the founder of the school of "dollar diplomacy," and to this day her memory is revered by the merchant guilds of London. This great queen of England paid much attention to the welfare of industry at home, and sent trade adventurers abroad to open new avenues of foreign commerce; and in the degree with which successive rulers and governments of all lands have observed the necessities and development of the material interests of their respective countries have nations flourished or marked time.

Through a peculiar misuse of the term, the foreign policy of the United States has been termed "dollar diplomacy," whereas, partly because of national tradition and partly through lack of skill and experience, the diplomacy of America has less relation to the extension of foreign commerce than that of any other great modern nation. American diplomacy has been governed more by altruistic ideas, the protection of foreign peoples against themselves and others, the elimination of money tributes and

indemnities, the recognition of new governments without conditions, arbitration of international troubles as a neutral nation—in these and in many other ways America has played her part in various international controversies; but in the general scramble for selfish advantage in all these affairs she has taken little or no successful part. And yet American diplomacy has been called that of the “dollar,” and has been credited in the minds of many of her own citizens, as well as by foreigners, with a mercenary basis. If it is true—as now seems probable in the early days of the administration of President Wilson—that the Government at Washington is to draw its foreign representatives from the academic or intellectual class, it is to be hoped that the hands of the consular corps will be strengthened, and commercial attachés or advisers detailed to the embassies and legations, that the vigorous and effective “dollar diplomacy” of England, Germany, France, Japan, and other countries may not leave American foreign commerce “a man without a country.”

As matters have stood in recent years, American diplomacy has shown a certain awkwardness in its efforts to assist American interests. Spasmodically, much good has been done, and in like manner harm has resulted either through mistaken initiative, or, as the golfer would say, failure to “carry through” what promised at the start to be a good drive. In

some cases American diplomatic officials abroad have proved themselves fully competent to handle an emergency involving the welfare of American interests. In others, special men have been sent, ostensibly to assist the American mission, but in reality to handle the matter independently and directly between State Department and foreign government. As a rule, these men have been capable in the subject-matter of the controversy but, through inexperience, unskilful in diplomacy.

A most enlightening opinion as to the relative commercial value of the dollar diplomacy of the great trading nations could be obtained if the foreign managers of some of the big American exporting industrial concerns would speak frankly and without fear or favor. The result of such a consensus of opinion would probably acquit Washington triumphantly of the charge of being the source of the dollar diplomat. The term is usually applied with a sneer or as an implied reproach; whereas, successful dollar diplomacy is not only the kind that is wanted, but it is a higher and more desirable evolution of the older and intricate game of lying and deceit for territorial or military gain, which has been played for centuries by the great nations of the world. In the train of that diplomacy came war, destruction, famine, and general disaster to millions of people. In the wake of successful dollar diplomacy comes international peace, developing indus-

try, the growth of international art and literature; in brief, the spread of civilization.

The people of a nation have it within their power to advance the interests of their foreign commerce in two ways: one by intelligent legislation at home, and the other by intelligent diplomacy abroad. The shipment of merchandise that leaves one country, to be consumed in another, means to the selling nation a foreign market for the raw material, the employment of labor to the extent of from thirty to ninety per cent. of the selling value of the goods, and the payment for this material and labor by foreigners, in money or its equivalent. It is a clear gain in every phase of the transaction. There is an old frontier adage, which originated in the early days of the Western boom, to the effect that "outside money makes the camp." It is a homely expression that summarizes the advantage of an export of two billion dollars' worth of goods with a comprehensiveness equal to its original application. It is not too much to say that anything in the shape of legislation, or of increased facilities, which assists the outward flow of the products of labor, is of unquestioned advantage to the producing nation. An unnatural though perhaps comprehensible attitude of suspicion toward successful export has come about in the United States. This has led to hostility toward special rail and water rates for export, lower prices for bulk foreign business, niggardliness of national expenditures for diplomatic representation



Photograph by Brown Bros.

In a Busy American Port.



From a photograph, copyright, by Underwood & Underwood.

A Mart for Exports and Imports.

and for the work of the Department of Commerce and its Foreign Trade Bureau. It might almost be said that the great and growing figures of foreign trade, issued so triumphantly each year by the government statisticians, have been achieved despite the obstructions placed in the path of their progress.

The growth of those figures in their largest aspect is due to organized private effort, the methods and operations of which are a sealed book to the government official or the general public; and unfortunately have shared in the recent and sweeping condemnation of the business methods of all big corporations. There has been no sifting of the wheat from the chaff, the good from the evil, with most deplorable results, for which both the public and the corporations are to blame. The natural result has been that in attempting to regulate the home activities of "big business" their foreign activities have been hindered and even checked. Lost ground in foreign directions is more difficult to regain than at home, for certain artificial and natural barriers always exist which favor home markets, while foreign trade meets well-equipped rivals at least on equal terms, and often with a handicap.

In the year 1913 the people of the United States are entering upon a radical change in the national attitude toward commerce, both domestic and foreign. There is a partial reversal of policy toward home industry, and an important experiment afoot in diplomacy. It is too early to say just how

radical these changes will be in the final reckoning, or what the outcome. It is quite possible that increased freedom of trade may bring good results at home; and if Congress recognizes the need of a commercial diplomacy auxiliary to that of the *littérateur*, the reformer, the peace advocate, the missionary, and the general uplifter of mankind, and the Administration provides competent, permanent, and resident commercial diplomats or attachés to all important American missions, a threatened disadvantage may be turned into a victory. At present, however, American foreign trade is the foot-ball of national politics.

Private enterprise, with its able American representatives abroad, is at present the only real guard against serious damage possessed by this great asset of the nation. The advance of American foreign commerce may be likened to a more or less friendly conflict with an allied army of foreign competitors. This is especially true of American trade, for it is generally a new-comer, and is regarded with dislike and antagonism to such an extent as to induce combinations of rivals to resist its advance.

A trade-map of the world could be constructed to advantage, with shadings of various depths to indicate the extent of American trade in the different countries. Such a map would show that in some sections of the world there was little more to do than to hold what was already in hand, and take a proportionate share in the normal annual increase

of trade. In other sections this map would demonstrate that American trade was a negligible quantity. There might be excellent economic or political causes for this, against which American effort would be unavailing, for the moment at least. In others, where American interests were small, and those of other nations large, it might be found that this condition was susceptible of change through intelligent diplomacy and exploitation. As the result of a most casual glance at such a chart, the eye would be arrested by certain vast areas where American trade was apparently unknown. These areas lie in Eastern Europe and on the mainland of Asia.

To Russia and China, therefore, should the strongest efforts of American diplomacy be directed to bring about a commercial entente between the United States and these two countries. The future of China as a market for foreign enterprise and merchandise will develop slowly, it is true, but the results will in time prove stupendous. In view of this, firm foundation should be laid for the structure of international trade, which will inevitably develop in the course of years. In the case of Russia, there is no time to be lost. Here is a great area of wonderfully productive territory inhabited by scores of millions of people. Among these people, education is spreading and their wants are multiplying. Such foreign trade as has found a lodgment there is of the kind America wants and will need more and more as her productiveness increases and the oversupply

of home markets becomes more noticeable. England, Germany, France, the Low Countries, and those of Scandinavia, are losing no time. Political, financial, commercial, and industrial bonds are being forged with all possible rapidity to this awakening nation of industrious people. American interests in Russia are already large, but their existence is due to private and not national initiative. As a nation, we have not only done much to discourage the betterment of intercourse with Russia, but have even actually threatened the existence of American interests therein, by inviting antagonism instead of friendly coöperation. It is not too late to remedy this unfortunate attitude, but the situation needs prompt, wise and fearless handling by those responsible for the foreign policy of the United States.

It is not too much to say that no part of the world presents greater promise for the immediate increase of American export trade than this vast country of Russia, and it is not a matter of future concern, but one of to-day; of the present generation of American producers and exporters. The United States can afford to yield much in a commercial treaty with Russia, for few of the exports from that country conflict with American production; in fact, the American people will need them greatly in the near future, and in return Russia offers a virtually unlimited field for the disposal of American manufactured goods. Every day that an entente is delayed is costing America far more than a mere loss

of immediate trade, for rival competitors are in the meanwhile cultivating an anti-American sentiment, and are farming their unexpected opportunity for all that it is worth.

American foreign commerce rests on a basis of international friendship. Once established, the needs of the respective countries determine the extent of international trading, modified as it must be, however, by conditions of transportation and such fiscal restrictions as may be imposed. Leaving the matter of price and quality to be dealt with by the industrial exporter, as must be the case, the influence of the Government remains as the most important outside factor in determining the prosperity of this trade. Under the control of the Government come the treaty-making power, with its bid for favorable reception of American products; the Government attitude toward facilities for the manufacturing of exports; and toward transportation; to the extent of the information which may be gathered through Government sources for the exporters. The important but more technical details of foreign commerce can safely be left to private enterprise in its effort toward profitable trading. There is no doubt as to the good intention of government officials, and of those who vote the money for their work; it is, of course, that American consumers shall benefit. There are two points of view, however, well illustrated in the attitude of the British and the United States Government, respectively, as to the direction in

which governmental efforts shall be extended in the furtherance of foreign trade. The British Government pays great attention to the diplomatic end of the business, and lets private enterprise follow up any advantage gained if it so desires. The United States Government spends vastly more money and effort upon the details of trade, but in many cases, unfortunately, attempts to build upon a shifting and insecure foundation, in that the relations of the two countries may be weak diplomatically, or there may be lack of knowledge or understanding as to the general conditions to be met. For some American consul to inform American manufacturers, through the State Department, of great openings for the sale of goods, does not mean necessarily that these goods can be sold; for in some cases American competition would find itself hopelessly handicapped by the superior trade diplomacy and knowledge of its adversary, thus nullifying any possible superiority in goods or prices.

From a practical point of view, to analyze American foreign trade in detail would be an endless and a useless task. It has grown to be what it is through exports of food-stuffs and raw materials, followed naturally by the surplus products of manufacturing. Of imports the same can be said, reversing the order of the progression. The land furnished the material, and labor came at its call from all parts of the world. The logical result of plenty of material, a constantly increasing supply of labor, combined

with national ingenuity and a climate conducive to the development of nervous energy, is the production of more or less finished merchandise, in such quantities as to keep half the ships of the world in daily use carrying it to and fro. Whether government intervention has helped or hindered has been the subject of controversy since this commerce began, and will continue until commerce ends; but out of it all must come a certain amount of wisdom, gained through experience, which should be of practical benefit to those on whom rests the responsibility of official coöperation with private adventure in foreign lands.

The three great foreign trading nations of the world are England, Germany, and the United States, in the order named. In 1912 the foreign commerce of England amounted to a little less than \$6,000,000,000, that of Germany to more than \$4,600,000,000, and that of the United States to nearly \$4,200,000,000. The total foreign trade of these three countries is proportioned approximately between imports and exports as follows:

	England	Germany	United States
Imports	60 per cent.	54 per cent.	43 per cent.
Exports	40 " "	46 " "	57 " "

These figures mean that the United States is still a debtor nation. If the imports of gold brought the imports level with the exports in value,—which they do not, and far from it,—the figures would indicate that the American people were getting cash for their

goods instead of merchandise as would also be the case if merchandise exports and imports were equal. The most considerable factors that annually balance this trade are the payments of interest and principal on American securities held abroad; remittances by American immigrants to foreign lands; money spent abroad by American tourists, and payments made to foreign-owned vessels for freight charges on goods carried to and from America. There are several other factors in this balance, but the four named are the most considerable. In the case of England and Germany, as well as many other prosperous countries whose foreign-trade sheets show an excess of imports over exports, this excess represents the profit on trading abroad, and the inflow of returns upon capital invested abroad; in other words, these nations are creditor or money-lending communities. The imports of all money-lending countries, like France, England, Germany, the Netherlands, and others, considerably exceed the exports while the exports of all borrowing, developing or unequally developed countries, like Russia, Argentina, Rumania, and many others in addition to the United States, exceed the imports, as the foreign investor must be paid his interest, and the only source of money for such payment is eventually either the product of the soil or of industry.

One hundred years ago, when the population of the United States was about seven millions, the American people imported annually considerably less than

\$100,000,000 worth of merchandise, less than ten per cent. of which came in free of duty. In 1912, when the population was more than ninety millions, the importations amounted to nearly \$1,700,000,000—of which about 54 per cent. entered duty free. The average ad valorem rate of import duty on dutiable goods one hundred years ago was about 40 per cent., and on the total imports, dutiable and free, it was about 35 per cent. In 1912 the average ad valorem on dutiable goods was about the same as one hundred years before, and on the total imports, both dutiable and free, it was about 19 per cent. The progress of American foreign trade in one hundred years is recorded as follows:

YEAR	IMPORTS	EXPORTS	TOTAL FOREIGN TRADE
1810	\$ 85,000,000	\$ 67,000,000	\$ 152,000,000
1830	63,000,000	72,000,000	135,000,000
1850	174,000,000	144,000,000	318,000,000
1870	436,000,000	393,000,000	829,000,000
1890	790,000,000	858,000,000	1,648,000,000
1912	1,818,000,000	2,363,000,000	4,181,000,000

In one hundred years the population has increased more than thirteen times, and the foreign trade more than twenty-five times. In 1810 the per capita foreign trade of America was about \$21, and in 1912 it was nearly \$40. These latter figures are really much more significant than appears at first glance, for the population of America, as estimated in 1810, was composed of a larger proportion of effective producing units than in 1912. Few but white people were counted, the percentage of women and children

was smaller, and virtually every white American was self-supporting. The estimate of to-day includes, therefore, a much larger percentage of human beings who, though counted as units in population, are not so potential in the material activities of the nation. The \$40 per capita of 1912 is much more significant of the growth of American foreign interests, therefore, than merely the increase from the \$21 of 1810 appears.

Speaking generally, the foreign trade of the United States has doubled every twenty years since 1830, regardless of wars, changes of government, administrative policies, the rise or decline of shipping interests, the increasing power of foreign competition, or the opening and development of competitive territory in other parts of the world. The development of industry in a country is usually written in the character of the imports and exports, and the changes that take place in the proportions of raw material and manufactured goods are most significant. In the case of the United States, these are strikingly shown in the more or less shifting percentages of a long period in the growth of the nation; a period fully covering the time the United States has figured to any marked degree in the economic affairs of the world. In the past eighty-two years American foreign trade has been roughly classified by percentages as follows:



Photograph by Brown Bros.

A Scene in the Fruit District of the Extreme West.

IMPORTS

	1830	1870	1912
Crude food-stuffs and food animals.....	11.77	12.41	13.93
Food-stuffs partly or wholly manufactured	15.39	22.03	11.86
Crude manufactured material	6.72	12.76	33.63
Manufactures for use in manufacture....	8.22	12.75	17.77
Manufactures ready for consumption....	56.97	39.82	21.78
Miscellaneous93	.23	1.03
	100.00	100.00	100.00

The most noticeable features of the statement given above are that the importation of crude food-stuffs and food animals remain about the same in their relation to total imports; that the importation of partially manufactured food-stuffs has decreased; that the importation of materials for use in manufacture has enormously increased, and that the importation of manufactured goods ready for consumption has decreased by nearly two-thirds. All of these figures, both of imports and exports, are based on values and not on quantities. The latter would be the most accurate measure of progress, as prices have changed materially,—either fallen or increased, mostly the latter,—on many important staples; but it would be virtually impossible to consider these matters from a viewpoint other than that of values where everything is grouped under an inclusive total, and in all probability the change that might follow a quantitative analysis, rather than one based on values, would not materially alter any conclusions that might be drawn. The changes in American exports during the same period were by percentages as follows:

EXPORTS

	1830	1870	1912
Crude food-stuffs and food animals.....	4.65	11.12	4.60
Food-stuffs partly or wholly manufactured	16.32	13.53	14.69
Crude manufactured material	62.34	56.64	33.31
Manufactures for use in manufacture....	7.04	3.66	16.04
Manufactures ready for consumption	9.34	14.96	30.98
Miscellaneous31	.09	.38
	<hr/> 100.00	<hr/> 100.00	<hr/> 100.00

The noticeable features of the record of American exports for the past eighty-two years are that the export of food-stuffs has decreased rather than increased in proportion to business in other commodities; that the export of crude manufactured material has greatly decreased, and in fact, with the exception of cotton, has become a negligible quantity; and that the export of manufactured goods ready for consumption has increased enormously. Exports of cotton are now the basis of American export of raw material. Whereas the total production of cotton in the United States in 1830 was only about 1,000,000 bales, in 1912 the United States furnished nearly 11,000,000 bales for export, valued at \$625,000,000, amounting to fully five-sixths of the value of all raw material for manufacturing purposes exported by the United States in that year.

The export of raw cotton in the case of the United States does not mean any appreciable backwardness of home manufacture. The importations of manufactured cotton goods are decreasing annually, so far as cloths are concerned. In 1912 less than \$8,000,000 in cotton cloth was imported from abroad.

The heaviest importation of cotton goods was in laces and such other things as are specialties of foreign manufacture, in many cases hereditary trades, or trades dependent upon cheap, trained female labor, such as is not available in America. America uses nearly 6,000,000 bales of home-grown cotton each year in her own factories, and supplies not only the home market with manufactured goods, but manufactures more than \$30,000,000 worth for foreign sale, in competition with the great spinning and manufacturing countries of Europe. The growing of cotton is now a raw-material industry in the strict sense of the word, for, owing to peculiarities of climate, certain features of the American labor supply, and the great amount of money this staple crop brings from abroad and distributes in non-manufacturing districts, it possesses a peculiar and great economic value to the country. Coal, tobacco, petroleum, and timber are the more important of the crude materials exported from the United States in addition to cotton; but the total value of all these is, as stated, about one-sixth of the whole.

The total value of the exports of domestic merchandise from the United States in 1912 was about \$2,363,000,000. As stated, cotton stands at the head of the list. The iron and steel industry comes next; the farmers of the United States furnish the third largest amount of merchandise for export; and machinery of all kinds, oils, paper, fruit, and chemicals, are the leaders in American export. The most

interesting changes that have taken place in American foreign trade in the past few years are those that indicate certain possibilities of the future; in fact, they are in a way prophetic of what is to happen in the economic life of the nation. In 1902, 93,000 head of cattle were imported, and in 1912 the importations numbered 325,000. In 1902 about 327,000 head of cattle were exported, and in 1912 only about 46,000. This means that the American people have nearly reached the point where the home market absorbs all cattle in the country, and that in future other peoples, who in the past have been dependent upon the United States for beef supply, must look elsewhere. The law of 1909, admitting free of duty works of art more than twenty years old, increased the annual importations from less than \$5,000,000 to more than \$60,000,000. The exportation of bread-stuffs has decreased materially, while importation has quadrupled, thus telling a story of shortage in food-supply, as did the change in the cattle movement. This same shortage is shown in like changes in the trade in meat products, dairy products, eggs, and nearly every other variety of staple food.

The United States produces half the copper of the world, but both exports and imports of this metal are increasing, showing that other countries are sending copper to this country for treatment. In 1902, America imported 135,000,000 pounds of tin plates, and in 1912 only 4,500,000 pounds. The exports of tin plates increased during the same pe-

ried from 3,500,000 pounds to 183,000,000 pounds. Iron and steel show a marked decline in imports and an enormous gain in exports. The American people are no longer importing automobiles, to any extent, but are increasing their sales abroad, and in 1912 sold \$28,000,000 worth to foreign buyers. The importations of coffee virtually hold their own, amounting in 1912 to nearly 1,000,000,000 pounds; but owing to increased prices the value of this importation is nearly double that of 1902. The exports of the iron and steel industry of the United States, including the manufactures of these materials as well, now amount to about \$1,000,000 per day. Europe takes the higher class of goods, and Canada and South America take the rails, structural iron and steel, heavy castings, and other like products that constitute the heavy tonnage of the industry.

The countries taking their largest proportionate share of their imports from the United States are, Haiti, 69 per cent., Honduras, 68 per cent., Canada, 62 per cent., Santo Domingo, 61 per cent., Panama, 56 per cent., Mexico, 55 per cent., Cuba, 53 per cent., and Costa Rica 51 per cent. England takes 17.3 per cent. of her imports from the United States, Germany 13.3 per cent., and France 8.6 per cent. Of the South American countries, Colombia, Ecuador, Venezuela, and Peru take from 20 to 30 per cent. of their imports from the United States, while others take smaller percentages, ranging from the

13.8 into Argentina and 12.8 into Brazil to the 2.8 per cent. sold to Bolivia. Other countries draw very slightly upon the United States for their imports, notably China, which takes only 5 per cent., India, 3 per cent., Morocco, less than 1 per cent., Servia, 1 per cent., and about the same for Turkey and Rumania. The great markets for American products at the present, in total value of goods sold to the peoples of these countries, are England, purchasing as she does from America goods to the amount of \$572,000,000; Canada, \$285,000,000; Germany, \$283,000,000; France, \$119,000,000; the Netherlands, \$117,000,000; Italy, \$70,000,000; Cuba, \$57,000,000; Mexico, \$56,000,000; Russia, \$52,000,000; Austria-Hungary, Argentina, and Belgium between \$45,000,000 and \$50,000,000 each, and Australia, Brazil, and Japan between \$27,000,000 and \$32,000,000 each.

Of the export trade of the United States, 60 per cent. goes to Europe, 23 per cent. to North America, 6 per cent. to South America, 5 per cent. to Asia, 4 per cent. to Oceania, and 2 per cent. to Africa. American producers send more than 90 per cent. of their entire foreign shipments, or more than \$2,000,000,000 worth of goods, to nineteen countries, and the remaining ten per cent. covers the trade with all the rest of the world. England buys about 26 per cent. of the total American export; Canada 15 per cent.; Germany 13 per cent.; France 7 per

cent.; the Netherlands 4 per cent.; Italy, Cuba, and Belgium each 3 per cent.; Mexico, Japan, Argentina, Australia, Russia, and Brazil each 2 per cent.; and Spain, Austria-Hungary, Panama, China, and the Philippines each about 1 per cent.

Official figures of imports and exports are useful as indications from which deductions may safely be drawn, but they are not an accurate record of the trade relations of any two countries. In some cases the indirect trade of the United States with certain countries is much larger than custom-house figures would indicate, in that American goods are purchased by other nations, who act as distributors or intermediaries in conducting the foreign trade of the world. This is very largely so in American trade with England. That country is credited with purchases of American goods far in excess of the needs of the British people. These goods are bought by English firms whose dealings are largely with other foreign countries, and by them sold to their customers on the Continent of Europe, in Asia, Oceania, or elsewhere. A striking example of this is the American trade with Russia. It is impossible to state exactly the value of American goods which in time find their way to the Russian consumer, but it is vastly in excess of the amount of trade between the United States and Russia,—\$52,380,000, as given in government statistics. In the official statement of exports of American cotton,

Russia is credited by the Department of Commerce figures as receiving 64,590 bales, valued at \$3,796,867.

American consuls in Russia, and the cotton experts of that country, estimate that Russia consumes annually nearly \$50,000,000 worth of American raw cotton, an amount nearly equal to the total export to Russia of all American goods, according to United States Government figures. That the government figures are misleading is due to the fact that they are figures of direct business only; and direct trade between the United States and Russia is, for geographical, transportation, and financial reasons, more or less hampered. American cotton is bought for Russia in London, Hamburg, Antwerp, Copenhagen, and other great European markets. The exports are credited in the United States to the ports mentioned, and while the ultimate destination does not affect the totals of American foreign trade, it does lead to widespread confusion as to the comparative value of the various foreign markets for American products. This is particularly unfortunate in the case of Russia, a country with which the United States has recently had some difficulty in the matter of a treaty of mutual trade and friendship. Judging from United States Government statistics, American trade relations with Russia might be regarded as almost negligible; whereas in fact they are already of the greatest value and importance, to say nothing of the brilliant



Photograph by Brown Bros.

In the Cotton Belt.



Photograph by Brown Bros

A Vast Area of Baled Cotton En Route to the Mills.

prospects of possible trade expansion in the near future. Even the government figures show a direct sale to Russia of nearly \$50,000,000 worth of American goods, deducting the direct sales of cotton. With a known consumption of \$50,000,000 worth of American cotton, this gives at least \$100,000,000 as the value of American sales to Russia. Cotton, however, is not the only merchandise sold indirectly, and if other goods are handled in the same way to an equal amount it is possible that the annual sales of American goods to Russia amount to nearly \$200,000,000, or four times the amount allowed by United States official figures.

This correction would give Russia fourth instead of ninth place in the list of great buyers of American goods. This is the most striking illustration of the deceptive feature of government trade-statistics in determining the order of importance of foreign buyers of American goods, though there are other countries which suffer in the estimation of exporters for the same reason. As has been already stated, it was peculiarly unfortunate that this was so in the case of Russia, for those who, for reasons of their own, favored national retaliation against that country through mutual trade relations used United States Government statistics to support their argument, and the American public naturally accepted these data at their apparent value. A final and accurate determination of the value of each foreign country as a market for American

merchandise,—a laborious and almost impossible task,—would undoubtedly lead to interesting and unexpected results. It would not only make many changes in the list of the most important customers, but would immediately suggest possibilities of more direct trading, which would stimulate American rail, shipping, and financial interests, increase profits by cutting out the middleman, and in the end give added stimulus to American foreign trade.

In the effort to secure, maintain, and encourage the expansion of American export trade, the Government is confronted with many extremely important questions. With those countries where American trade is already large, it is necessary to maintain our friendly relations; to guard against discriminations in favor of foreign rivals, and to facilitate in every way possible the flow of traffic between the United States and these valuable commercial allies. There are other countries where it is manifest that America is not getting her possible share of existing business. Again, there are countries where the prospects for the immediate future warrant every effort to lay the best foundations for future participation in the coming development. Some countries are negligible in these matters; and while consular reports, enthusiastic visitors, or specialists may submit glowing reports or make eloquent speeches as to what could be done there by American trade were it only pushed or subsidized or encouraged in some way or other (few of these

men ever present a practical plan), it needs but a careful though cold-blooded analysis of existing conditions to realize that effort can be made elsewhere to greater profit and with less probable disappointment. It is often a condition of transportation, a sphere of foreign influence, racial or national characteristics, or natural limitations, that eliminate an apparently promising field for trade exploitation from immediate consideration. By those who send experts far afield to make report upon things as they find them, a negative report is often considered a more profitable return on the cost than an opinion that leads to investment which counts as a loss when enthusiasm or superficial knowledge has been discounted by experience. Of foreign trading it might almost be said, as of mining, that for every dollar made a hundred have been lost. It is the one prospector who discovers a gold reef whose story fascinates the world. The stories of the thousand who missed it are seldom read, for they are seldom written.

One of the most serious difficulties that confront the American Government in its dealings with foreign nations is the inelasticity of the American tariff laws. The most sensible and scientific tariff law which the United States could have,—allowing that the principle of tariff for revenue and protection is to prevail,—is such rate of duty as may be deemed advisable, all things considered; an arrangement whereby a surtax could be imposed upon goods

from countries discriminating against American merchandise, and a trading margin for treaty-making purposes, ranging from the normal rate of duty, as set forth in the customs laws, to absolute free trade between the treaty-making powers. There is little or no hope that such a law can prevail or will be formally advocated by any political party in power; but it is a hopeful sign that it has been seriously suggested and discussed by men prominent in the councils of the nation. That tariff laws will in time be formulated on that basis is likely, but such a statement reaches further into the domain of prophecy than is apparently warranted in the present temper of actual legislation. There is a simple truth, apparently often forgotten or ignored, and it is, that to give is necessary to be able to take, in all dealings between nations as much as between individuals. All trading is in the end a compromise, presumably mutually beneficent and equally so. It rests with the wit and ability of the trader to see that he at least comes out even. It would be interesting to know just how far the late President McKinley intended to go in his advocacy of better foreign-trade relations for the United States, had not his tragic death cut short his program. The last speech he made at Buffalo was crowded with significance of what might come later.' It was in a sense as if he were only preparing the way for an important development of American fiscal policy in connection with foreign trade. Those who were

in his closest confidence in the days just prior to his death have knowledge of an evolution that had taken place in his mind,—a mind that had given more thorough thought and study to tariff matters than almost any other in America at that time. They firmly believe that at the moment the life of President McKinley was ended, so suddenly and unnecessarily, he had planned a pronunciamento in favor of concessions to American foreign-trade interests which would have startled the country, put the Republican party in line with the mass of the voters who desired tariff revision, and of which his Buffalo speech strongly advocating reciprocity in commerce was only the opening paragraph. Had he lived, this one thing might have made a vast difference in the subsequent fortunes of the Republican party; but when he died his place was taken by a man whose marvelous activities did not include an interest in the tariff,—in fact, as he frankly expressed it, the subject “bored” him, as it does many others, unfortunate for the country as this may be.

The American diplomatic service has passed through some remarkable phases in the past twenty-five years. A few years ago it was quite frankly used as a means for rewarding political services to the party in power. No good could possibly come out of such a system. There were some exceptions to the general rule that American ambassadors and ministers were either indifferent to or else ignorant of the needs of the United States in international

politics, but they were few and far between. More recently men have been selected for the most important places by reason of their wealth and social standing. Some of those selected made excellent representatives, but owing to the shortness of their terms of office they had no more than familiarized themselves with their surroundings than they were either recalled or found it expedient to return to their native land.

President Wilson has apparently established a new plan, or rather revived an old one. He is selecting his foreign representatives from the class known in Europe as the "intellectuals." This policy is adopted at a highly critical time in the history of the foreign trading of the United States, and at a time when virtually all the great international questions and controversies are those of respective economic advantage, one nation over another. It comes also at a time when the great commercial and industrial rivals of the United States are pursuing quite a different policy, one which is perhaps worth considering. England and Germany to a notable degree, and France, Russia, and some others of the great Powers to a sufficient degree to be noticeable, are training men for all diplomatic positions, and promotions are made even to the highest places, almost entirely upon the merits and suitability of the candidates. The young man who enters the Foreign Office service of England or Germany in a subordinate position has

within his power, if he develop accordingly, to become in time an ambassador to some important country. He is thoroughly tried out, step by step, as consul and minister before the highest rank is given to him. He is moved about from one part of the world to another until he becomes in truth a cosmopolitan, not only in thought and habit but in language and knowledge. The most serious part of the education of these men is, first, the economics of their own country, and second, the economics of the country to which they are to be accredited. This education is practical and not theoretical. This is true to so great an extent that, when a technical matter of trade enters into a controversy between the two state departments, the minister or ambassador is often found fully qualified to fight the battle himself in aid of the material interests of the country he represents. There are no more practical men anywhere than a majority of these who now represent the progressive industrial countries of Europe as foreign ministers or ambassadors. This particular feature of their equipment for the office is not unnecessarily paraded, however, for their social and political qualifications are more in the public eye. It is in the private talks at the State Department at Washington, in London, Berlin, Paris, St. Petersburg, or elsewhere, that their real fighting strength is disclosed. It is not a question of private fortune with them, for their governments remove any anxiety on that score by an adequate

and even an abundant allowance of funds, not only for salaries but for housing and up-keep. The British ambassador to Washington receives more in salary and expense allowance than does the President of the United States in proportion to the necessary expenditures of his office.

“Dollar diplomacy” did not originate in the United States, nor has it ever attained such development there as it has in other countries. Virtually every one of the foreign representatives of our great commercial ally, Germany, is a “dollar diplomat” in the best sense of the term, and a most effective one. Diplomacy is to-day, more than ever in the history of the world, a game of international trade, and the men best fitted for it are not necessarily those who have made great fortunes out of trade, but men who have studied it intelligently, practically and disinterestedly, yet with an aloofness that comes of fixed tenure in a profession to which they have been trained, a profession that might be expressively, though awkwardly, termed that of advancing every interest of one’s own nation. Analyzing those interests, the only conclusion reached is that diplomacy is indeed “the trade of the world.” The results of the new-old policy of the United States in the choice of foreign representatives will be interesting to note. The success or failure cannot be told until later; and the American nation, with its great and growing foreign interests, is now making a stupendous gamble on each and every

individual sent to an important foreign post. That some of the appointments will prove great discoveries is not only possible but more than probable, because of the fact that in the so-called intellectual class alone can be found the material out of which good diplomats may be made overnight. The present American method of appointing diplomatic representatives leads to the conclusion that the money now spent by the United States on the work of so-called "commercial agents" should be promptly supplemented by appropriations for the establishment of a permanent corps of "commercial attachés."

To the American manufacturer, deeply engaged with his cost of production and the filling of orders, it may appear that too much stress is laid upon the function of foreign diplomacy in the success of American business abroad; but it will not be necessary to give emphasis to its importance with those Americans who have already pioneered their business into remote parts of the world. They know to their cost, through bitter experience, what inefficiency in an American embassy or legation can do to hinder and even to destroy the greater possibilities for American success. At present, and for years past, the fortunes of American foreign trading depend, so far as diplomacy is concerned, upon the character, ability, common sense, and adroitness of the individual government representative abroad, rather than upon the government or the system as

a whole. Within the year 1912 we had the two extremes: in one country an able, intelligent, and practical man, working persistently for weeks to bring about a commercial *entente cordiale* between the United States and the country in which he was stationed; and in another country American interests were forced to appeal to English or other foreign representatives to help them through a time of stress, because the American representative considered things commercial as outside of the province of his labors. Both of these men are out of office now, not because one was useful and the other useless, but because of the system—or lack of system—which required their places for others.

An English minister who was stationed in an important country a few years ago failed when there to secure certain large contracts for English builders. This same minister is still in the service, but is now kicking his heels in an unimportant place, where what he does or does not is of little consequence. A certain German ambassador was recently denied the place of his choice because he had done so well where he was that his services were still needed at that point; but when the crisis has passed he will get his reward all the more surely.

The United States is beginning anew with fresh diplomatic material with the coming of President Wilson. Some of the old material had been tried and had stood the test; it was a pity to cast it aside, but perhaps out of this new abundance will evolve

a group of men whose personal interests are not so great that they must return to them after a pleasant and honored sojourn abroad, and whose hearts and brains will be in the work now given to them. President Wilson's successor will then have in hand at least a nucleus for an efficient diplomatic service which will give more permanency to American foreign policies than they have shown under the direction of kaleidoscopic State Departments. What are termed Yankee shrewdness and common sense go a long way in supplying deficiencies of knowledge or experience, and they have saved the day for America on many a notable occasion; but they would be all-powerful if superimposed upon knowledge and experience already gained.

An excellent beginning has already been made in the American consular service, and there are men whose ten, fifteen, or twenty years of service, combined with natural ability, has put them in the front rank of the consuls of all nations. That their work is not more effective is no fault of theirs; it lies rather in the difficulty of securing effective and intelligent coöperation between the corps and American industry, through that necessary intermediary, the government machinery at Washington. There has been considerable improvement in this during the past few years, but there is still an amazing lack of system, much duplication of labor, and absence of coöperation between the Government and business interests. Some of these hindrances to

effectiveness arise from the jealousies of the State Department and the Department of Commerce; some of them are due to bureaucratic methods difficult of elimination; and a great deal of the trouble lies in the antagonism and suspicion felt by the great industries toward the real purpose of the Government, these arising out of the violent phase of "investigation and regulation" through which the country has recently passed and is still passing, the outgrowth of long existing errors of government and consequent private abuses.

What can be accomplished through the coöperation of government and private forces, where a state of mutual trust and confidence exists, is exemplified in the more rapid and profitable growth of the foreign trade of Germany—a foreign trade which in the past three or four years has equaled, and now exceeds, that of the United States. This is all the more notable in that Germany has only about two-thirds the population of the United States, is poor in natural resources, buys the bulk of her raw material, refuses subsidies to her ships and her producers, and depends almost entirely upon the coöperation of her diplomatic service at home and abroad with the material interests of the country, and preferential treatment of German products wherever such preference can be given in use, transportation, or diplomatic exploitation. Preferential rates to the seaboard for American goods destined for export are seldom allowed in the United States,



Photograph by Brown Bros.

The Lumber Industry Plays an Important Rôle.



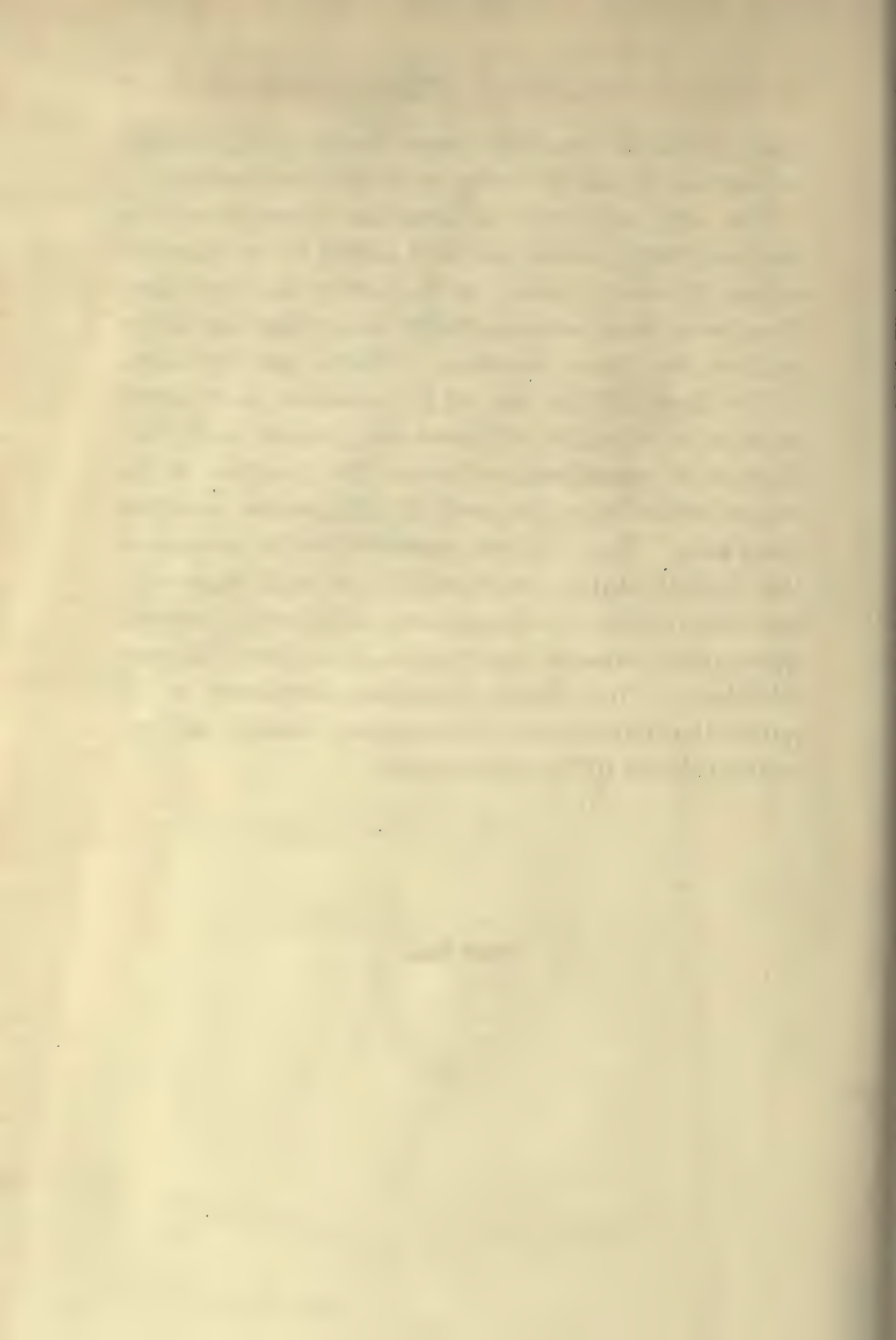
Photograph by Brown Bros.

The Stock Yards at Chicago.

and yet this is one of the great factors in the ability of German goods to compete in foreign markets.

The day will come in America when it will be realized that a nation can well afford to cheapen for export by every means in its power, and that such cheapness does not necessarily mean discrimination against the home consumer. There are few signs of the dawn of this day at the moment, and it will come only when the ultimate and general over-production of manufactures forces the attention of the whole nation upon the need of still greater markets elsewhere. There is one comfort for the people of the United States, possessed in no such degree by any other nation at the present time or for several generations to come, and that is, the abounding possibilities of the North American continent in its natural resources, and the amazing vitality and resourcefulness of its inhabitants.

THE END



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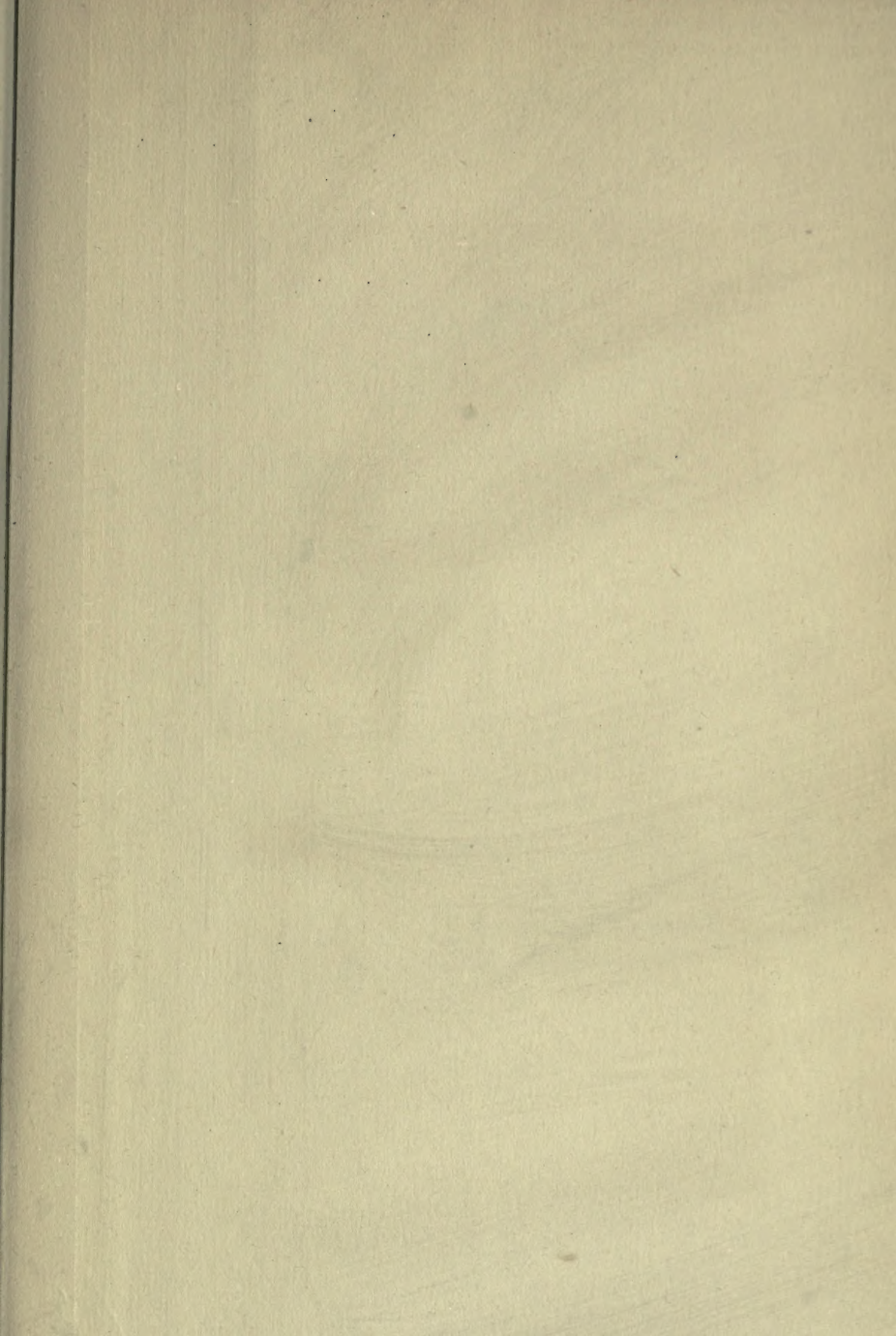
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